

Q1 2009



West Hollywood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

West Hollywood In Brief

Receipts from January – March sales were 10.9% lower than the same quarter last year.

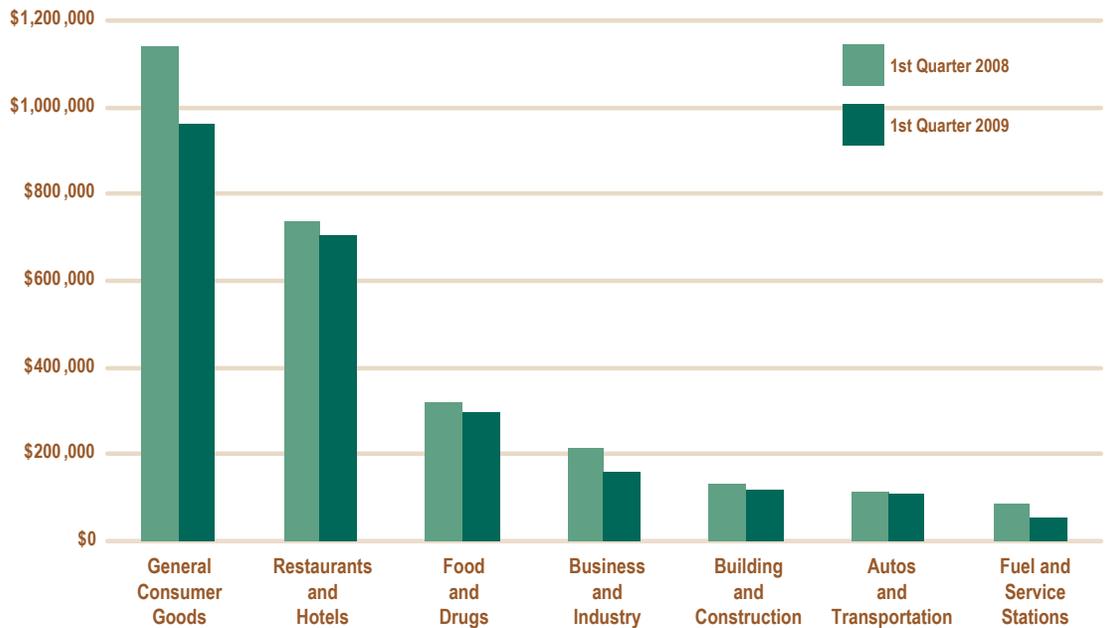
Every major business group was affected by the adverse economic conditions with sales activity decreasing in home furnishings, textiles/furnishings, lumber/building materials and art/gift/novelty stores.

The addition of new eateries could not offset the loss from business closures and lower returns in all restaurant classifications. The remodeling of an existing market accounted for the decline in grocery stores with liquor. Lower fuel prices depressed returns in service stations.

Revenues increased in electronics/appliance stores while the gain in family and women's apparel was due to onetime deviations. The reopening of a hotel boosted the hotels with liquor group.

Adjusted for reporting aberrations, taxable sales for all of Los Angeles County and its cities declined 16.4% over the comparable time period while Southern California as a whole was down 16.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Abbey Food & Bar	Gelsons Market
Ago	Hornburg Jaguar
Ann Sacks Tile & Stone	Jerrys Famous Deli
Asia de Cuba	Katana
Bay Cities Discount Kitchen	Koontz Hardware
Best Buy	Madeo Restaurant
Beverages & More	Maxfield Bleu
Bristol Farms	Ralphs
Cafe Med	Ralphs
Comme Ca	Saddle Ranch Chop House
CVS Pharmacy	Target
Executive Car Leasing	Trader Joes
	Whole Foods Market

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$11,444,478	\$11,231,323
County Pool	1,250,135	1,261,460
State Pool	6,070	5,458
Gross Receipts	\$12,700,684	\$12,498,241
Less Triple Flip*	\$(3,175,171)	\$(3,124,560)

*Reimbursed from county compensation fund

California Overall

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

Additional Use Tax Options

The state's budget deliberations include provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

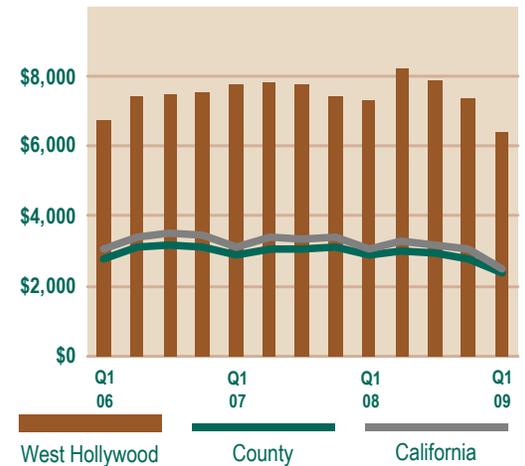
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

Two actions are being considered to partially deal with this problem. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

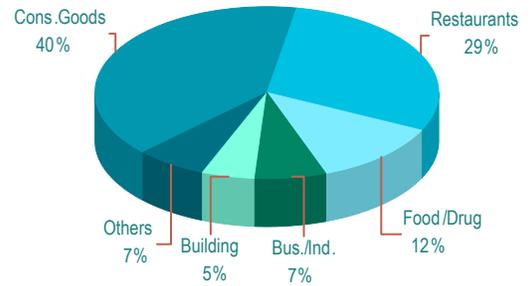
Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax. California's governor has also indicated his opposition.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

West Hollywood This Quarter



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	West Hollywood		County	HdL State
	Q1 '09*	Change	Change	Change
Restaurants Liquor	\$491.5	-6.5%	-5.3%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.4%	-3.3%
Electronics/Appliance Stores	185.5	6.6%	-5.1%	-6.6%
Home Furnishings	173.0	-39.2%	-21.9%	-21.1%
Grocery Stores Liquor	125.9	-13.4%	0.1%	-1.8%
Textiles/Furnishings	97.3	-26.5%	-23.4%	-15.5%
Specialty Stores	88.0	1.7%	-10.3%	-7.9%
Restaurants No Alcohol	87.7	-1.6%	-4.0%	-2.7%
Restaurants Beer And Wine	78.1	-11.5%	-9.8%	-9.9%
Family Apparel	71.7	12.9%	-9.3%	-7.6%
Women's Apparel	61.1	14.7%	-12.6%	-11.7%
Drug Stores	59.7	-3.1%	-2.1%	-4.5%
Service Stations	53.8	-36.7%	-35.4%	-35.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-26.8%	-27.7%
Lumber/Building Materials	48.1	-23.3%	-21.7%	-22.6%
Total All Accounts	\$2,405.9	-12.4%	-17.2%	-17.6%
County & State Pool Allocation	293.1	3.6%		
Gross Receipts	\$2,699.0	-10.9%		<i>*In thousands</i>