

Q4 2008



West Hollywood Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

West Hollywood In Brief

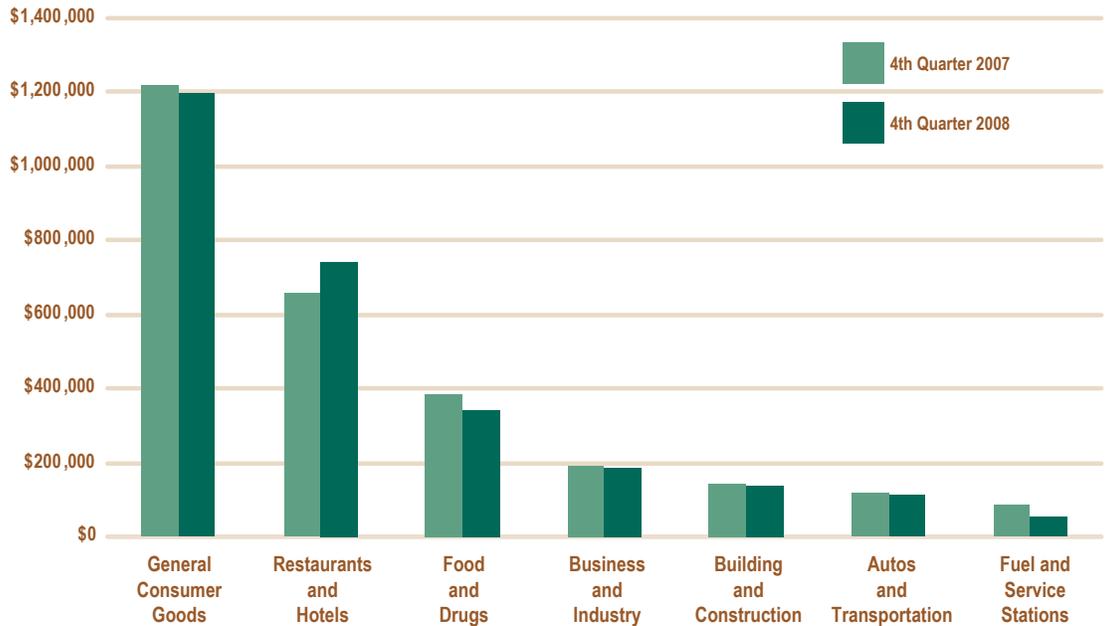
The sales and use tax allocation from West Hollywood's October through December sales was 1.6% lower than the same quarter one year ago. However, actual sales were down 9.0% when onetime reporting aberrations were factored out.

A severe decline in fuel prices and in the sales of home furnishings, textiles and most categories of general consumer goods contributed to the overall decrease in actual sales activity. The temporary closure of a supermarket and declines in full service restaurants were also factors.

The losses were partially offset by recent additions to the women's apparel and fast food restaurant classifications and a solid quarter for plumbing/electrical supplies.

Adjusted for aberrations, sales and use tax revenues for all of Los Angeles County declined 13.4% over the comparable time period while Southern California as a whole was down 14.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Abbey Food & Bar	Katana
Ann Sacks Tile & Stone	Koontz Hardware
Asia de Cuba	Madeo Ristorante
Barbara Jean Wiseley	Maxfield Bleu
Best Buy	Ralphs
Beverages & More	Ralphs
Bristol Farms	Saddle Ranch Chop House
CVS Pharmacy	Santa Monica Doheny Lounge
Executive Car Leasing	Scott & Company
Gelsons Market	Target
Hornburg Jaguar	Trader Joes
House of Blues	Whole Foods Market
Jules Seltzer & Associates	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$8,696,725	\$8,825,375
County Pool	969,365	970,153
State Pool	3,827	3,690
Gross Receipts	\$9,669,917	\$9,799,219
Less Triple Flip*	\$ (2,417,479)	\$ (2,449,805)

*Reimbursed from county compensation fund

Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

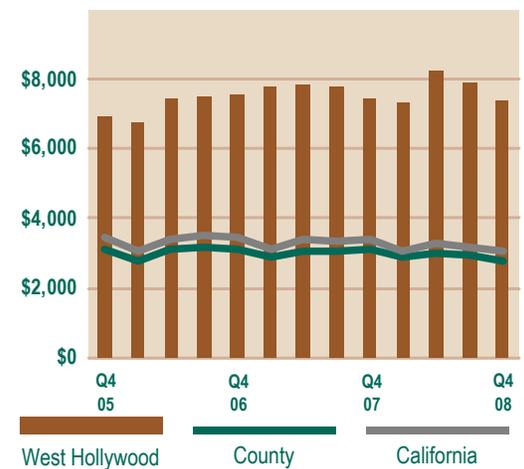
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

SALES PER CAPITA



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	West Hollywood		County	HdL State
	Q4 '08*	Change	Change	Change
Restaurants Liquor	\$517.4	10.8%	-2.4%	-1.4%
Discount Dept Stores	— CONFIDENTIAL —		1.4%	-3.3%
Home Furnishings	219.2	-30.1%	-19.0%	-20.2%
Electronics/Appliance Stores	217.4	-9.2%	-10.5%	-13.0%
Grocery Stores Liquor	134.1	-23.8%	-0.1%	0.8%
Family Apparel	124.5	-12.2%	-5.3%	-3.6%
Textiles/Furnishings	121.6	-8.6%	-8.9%	-8.1%
Restaurants No Alcohol	90.3	65.6%	1.9%	1.7%
Restaurants Beer And Wine	85.8	-2.8%	-6.0%	-6.9%
Specialty Stores	82.9	-7.6%	-8.7%	-7.2%
Package Liquor Stores	67.0	7.8%	-1.7%	1.5%
Women's Apparel	63.8	26.7%	-10.0%	-10.6%
Drug Stores	63.2	-14.2%	-0.8%	-1.4%
Lumber/Building Materials	60.4	-10.1%	-12.6%	-12.5%
Grocery Stores Beer/Wine	56.4	-2.3%	-5.9%	-7.7%
Total All Accounts	\$2,777.1	-0.9%	-10.3%	-10.3%
County & State Pool Allocation	303.8	-8.2%		
Gross Receipts	\$3,080.8	-1.6%		<i>*In thousands</i>