

Q2 2009



West Hollywood Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2009)

West Hollywood In Brief

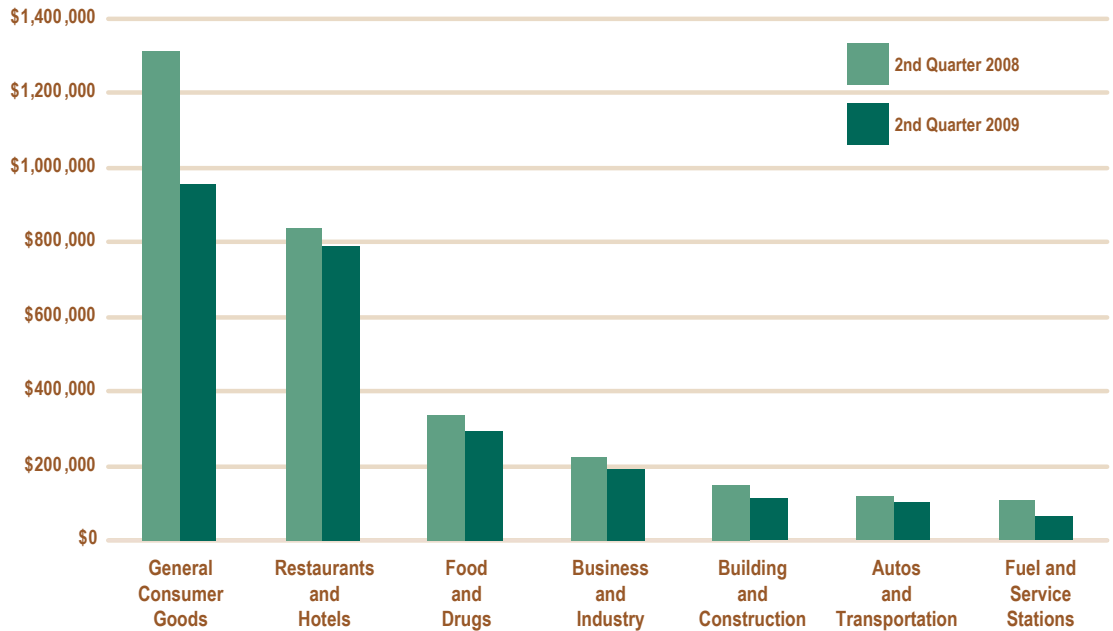
Receipts for the April through June sales period were 18.0% lower than the same quarter one year ago. Actual sales were down 16.5% after onetime accounting aberrations were excluded.

The recession negatively impacted every major business group. The temporary closure of an outlet pared receipts from grocery-liquor. Accounting deviations exaggerated losses from specialty retail, lumber/building materials, family apparel restaurants with beer & wine, and the autos/transportation group, but understated losses from home furnishings and textiles. Sharply lower fuel prices cut service station returns.

Hotel-liquor postings were up; payment aberrations inflated gains from drug stores. Accounting adjustments that lifted year-ago receipts masked a 5.5% increase from restaurants-no alcohol.

Adjusted for reporting anomalies, taxable sales for all of Los Angeles County dropped 20.1% over the same period; Southern California as a whole fell 20.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Abbey Food & Bar	London West Hollywood
Asia de Cuba	Maxfield Bleu
Best Buy	Mondrian Hotel
Beverages & More	Paul Ferrante
Bristol Farms	Ralphs
Ceconis	Ralphs
CVS Pharmacy	Saddle Ranch Chop House
Executive Car Leasing	Standard Hollywood Hotel
Gelsons Market	Target
Hornburg Jaguar	Trader Joes
Janus Et Cie	Whole Foods Market
Katana	World Oil Marketing
Koontz Hardware	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$3,089,332	\$2,511,653
County Pool	322,590	281,602
State Pool	(810)	2,524
Gross Receipts	\$3,411,113	\$2,795,779
Less Triple Flip*	\$(852,778)	\$(698,945)

*Reimbursed from county compensation fund

Statewide Trends

Adjusted for accounting aberrations, the local portion of California's sales and use tax for transactions occurring April through June were 18.4% lower than last year's comparable quarter.

All categories and regions were down with receipts from fuel, automobiles, business supplies, and construction materials exhibiting the largest reductions. This is the eighth consecutive quarter of statewide declines but subsequent reductions should become increasingly moderate as the economy bottoms out and future quarters are compared to previous record lows.

The Climb Back Up

Statistically most economists agree that the national recession bottomed out somewhere around the end of July. Minor recovery is expected in the last half of the year as companies restock depleted inventories, federal stimulus programs filter through the system, and investor confidence returns.

However, restoration of California's previous sales tax levels will lag. Unemployment is projected to increase through the first quarter of 2010 and remain weak for several quarters after. Incomes are flat, household wealth has been exhausted, inflation is in decline, and the drops in property values are not over. Lenders are less risk tolerant and previously excessive borrowers have become disciplined savers.

The California Budget Project recently concluded that it took six years for the average household to fully rebound from the jobless recovery following the recession of 2001. New consumer frugality, tight credit, and moderate job growth may result in an equally slow recovery from this recession.

Prognostications for key segments:

General Consumer Goods – Sales of personal electronics remain solid but consumers are focusing on price and necessities when it comes to apparel and other merchandise. Weak back-to-school sales and limited credit

for new stock have retailers planning lean inventories for the holiday season which is projected to be flat with only modest gains through 2010.

Transportation - Cash-for-clunkers stimulated new car sales but largely borrowed from the next two quarters. Significant recovery is not expected until the 2011 models arrive. RV, boat, and motorcycle sales may languish until the return of full employment.

Business & Industry – Sales to health providers and manufacturers of food products, energy, and information technology remain stable. Investment in equipment and supplies as a whole however, generally drops in and out of a recession four to six quarters after consumer goods. Continued declines are expected through 2010.

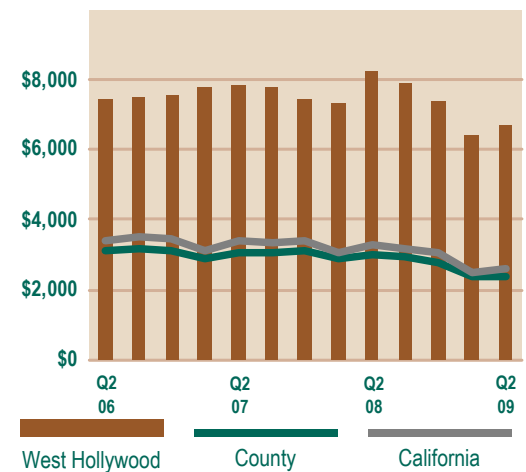
Building & Construction - Benefits from the stimulus package will be offset by state cutbacks. Projections are for weak office and commercial construction. Modest recovery in overall spending is not expected until after next summer.

Fuel & Service Stations- Lack of competition allows refiners to manip-

ulate costs of the state's environmentally friendly summer blend, but overall receipts are expected to stabilize after next quarter's comparison with the previous year's record price spike.

Grocers & Restaurants – Intense price competition has kept receipts from grocers' taxable goods down while higher-end restaurants continue to experience reduced patronage. Revenues are expected to remain flat for the next five to six quarters.

SALES PER CAPITA



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	West Hollywood		County	HdL State
	Q2 '09*	Change	Change	Change
Restaurants Liquor	\$523.5	-5.9%	-5.7%	-5.0%
Discount Dept Stores	— CONFIDENTIAL —		-3.3%	-4.6%
Home Furnishings	184.5	-36.0%	-21.7%	-20.7%
Electronics/Appliance Stores	158.1	-10.0%	-16.6%	-14.2%
Grocery Stores Liquor	126.7	-27.0%	-4.9%	-2.6%
Restaurants No Alcohol	101.6	-12.0%	0.3%	2.9%
Textiles/Furnishings	95.7	-33.5%	-58.5%	-22.0%
Hotels-Liquor	88.5	23.5%	-18.2%	-29.4%
Specialty Stores	86.9	-23.0%	-16.0%	-12.1%
Family Apparel	82.0	-59.9%	-9.5%	-5.5%
Restaurants Beer And Wine	71.5	-20.0%	-11.7%	-12.8%
Service Stations	65.6	-37.0%	-39.3%	-36.7%
Drug Stores	54.1	14.4%	5.7%	0.1%
Lumber/Building Materials	51.2	-36.9%	-17.5%	-21.1%
Women's Apparel	47.6	-22.4%	-13.1%	-12.1%
Total All Accounts	\$2,511.7	-18.7%	-20.2%	-21.2%
County & State Pool Allocation	284.1	-11.7%		
Gross Receipts	\$2,795.8	-18.0%		<i>*In thousands</i>