Beverly Hills
In Brief

Receipts for Beverly Hills’ January through March sales were 4.3% higher than the same quarter one year ago. Actual sales activity was up 5.8% when reporting aberrations were factored out.

A retroactive adjustment that inflated year-ago returns in women’s apparel was the primary factor contributing to the decline in general consumer goods as a whole. The 1.2% actual gain in this group lagged regional trends with lower returns in jewelry stores, shoe stores, men’s apparel and home furnishings. Nonetheless, recent openings boosted family apparel.

New auto sales rose an impressive 22.5% once onetime aberrations were removed while auto leasing matched the gain with a 23.8% rise.

Lower results in hotels with liquor partially offset the increase from new eateries in casual dining, fine dining and quick-service restaurants. Multiple deviations boosted cash receipts in business and industry while a new store added to food and drugs. Similar events overstated building-related sectors.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 3.0% over the comparable time period, while the Southern California region as a whole was up 3.2%.

Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Top 25 Producers

In Alphabetical Order

Audi Beverly Hills
Audi Leasing
Bentley Leasing
Barneys
Beverly Hills Hotel
Beverly Hills Porsche
Beverly Hilton Hotel
Beverly Wilshire Hotel
Cartier
Chanel
Daimler Trust
Ferrari of Beverly Hills
Gearys
Hermes
Jim Falk Lexus
Louis Vuitton
Mastro's Steakhouse
Mercedes Benz of Beverly Hills
Montage Beverly Hills
Neiman Marcus
O’Gara Coach Company
Porsche Leasing
Saks Fifth Ave
Tiffany & Company
Tom Ford
Toyota Lease Trust

Revenue Comparison

Four Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$25,906,109</td>
<td>$28,298,148</td>
</tr>
<tr>
<td>County Pool</td>
<td>3,101,028</td>
<td>3,552,464</td>
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<tr>
<td>State Pool</td>
<td>17,691</td>
<td>18,450</td>
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<tr>
<td>Gross Receipts</td>
<td>$29,024,828</td>
<td>$31,869,062</td>
</tr>
<tr>
<td>Less Triple Flip*</td>
<td>$(7,256,207)</td>
<td>$(7,967,266)</td>
</tr>
</tbody>
</table>

*Reimbursed from county compensation fund
California as a Whole
Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014’s comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services
The Board of Equalization has released an estimate that levying sales and use tax on services would raise over $122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 ½% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state’s shift from a manufacturing to service economy has created the nation’s highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and more competitive while providing greater flexibility in the development of local tax bases.

Tax on Jet Fuel
The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a “decline to state” to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

BEVERLY HILLS Top 15 BUSINESS TYPES

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Beverly Hills Q1 '15</th>
<th>Change</th>
<th>County Change</th>
<th>HdL State Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Lease</td>
<td>413.4</td>
<td>20.8%</td>
<td>18.3%</td>
<td>21.5%</td>
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<tr>
<td>Business Services</td>
<td>72.2</td>
<td>25.0%</td>
<td>21.1%</td>
<td>26.1%</td>
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<tr>
<td>Casual Dining</td>
<td>203.8</td>
<td>4.9%</td>
<td>4.9%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Department Stores</td>
<td>CONFIDENTIAL</td>
<td></td>
<td>2.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Family Apparel</td>
<td>1,352.9</td>
<td>11.4%</td>
<td>8.6%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Fine Dining</td>
<td>523.4</td>
<td>13.4%</td>
<td>17.0%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>121.4</td>
<td>-8.9%</td>
<td>12.6%</td>
<td>8.3%</td>
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<tr>
<td>Hotels-Liquor</td>
<td>404.2</td>
<td>-7.5%</td>
<td>2.7%</td>
<td>9.5%</td>
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<tr>
<td>Jewelry Stores</td>
<td>448.7</td>
<td>-7.1%</td>
<td>4.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Men’s Apparel</td>
<td>108.7</td>
<td>-14.8%</td>
<td>4.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>New Motor Vehicle Dealers</td>
<td>1,059.6</td>
<td>10.5%</td>
<td>8.4%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Quick-Service Restaurants</td>
<td>110.6</td>
<td>12.8%</td>
<td>10.3%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Shoe Stores</td>
<td>139.1</td>
<td>-5.0%</td>
<td>4.6%</td>
<td>6.3%</td>
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<tr>
<td>Specialty Stores</td>
<td>231.3</td>
<td>-0.9%</td>
<td>8.7%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Women’s Apparel</td>
<td>454.3</td>
<td>-28.1%</td>
<td>-2.7%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Total All Accounts      | $7,031.5              | 3.9%   | 3.0%          | 3.6%             |
County & State Pool Allocation | $911.2         | 6.9%   | 5.9%          | 1.1%             |
Gross Receipts          | $7,942.7              | 4.3%   | 3.3%          | 3.3%             |