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J. Paul Getty Trust; Higher Education, Non-Profit Organizations

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The J. Paul Getty Trust

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US\$48. mil var rt rev bnds ser 2004 B AAA/A-1+

Sale date: 21-SEP-2004

US\$48. mil var rt rev bnds ser 2004 A AAA/A-1+

Sale date: 21-SEP-2004

AFFIRMED

J. Paul Getty Trust (The), California

\$250.000 mil. J. Paul Getty Trust (The) taxable rev bnds ser 2003 dtd
10/01/2003 due 10/01/2033 AAA

California Infrastructure & Econ Dev Bnk, California

\$275.000 mil. California Infrastructure & Econ Dev Bnk (J. Paul Getty Trust
(The)) var rate ser 2003A-D dtd 05/15/2003 due 04/20/2033 AAA/A-1+

OUTLOOK: STABLE

AFFIRMED

California Statewide Comntys Dev Auth, California

\$139.000 mil. California Statewide Comntys Dev Auth (J. Paul Getty Trust (The))
comm pap A-1+

OUTLOOK: STABLE

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to the J. Paul Getty Trust's variable-rate revenue bonds, series 2004A and 2004B, each \$48 million, issued by the California Infrastructure and Economic Development Bank. In addition, the 'AAA' rating was affirmed on the trust's \$525 million of outstanding long-term debt, and the 'A-1+' rating was affirmed on the trust's authorized outstanding \$250 million CP Program. The trust continues its intention of limiting future CP issuance to \$40 million. The 'AAA' long-term rating reflects the trust's large, unrestricted endowment relative to operating expenses and outstanding and proposed debt, as well as its significant expenditure flexibility. The proceeds of the bonds will refund the series 1994 certificates of participation (COPs). While the Getty is run as a museum, Standard & Poor's evaluates the credit as an operating foundation. Unlike private foundations, the Getty is not required to spend a certain portion of its assets each year to retain its tax-exempt status. However, the trust has an internal spending policy of up to 5% of a three-year moving average of its endowment.

Outlook

The stable outlook rests on Standard & Poor's expectation that any future debt will be commensurate with continued growth of trust assets, and that the trusts' financial

resources will continue to provide it with overwhelming coverage of current expenses and liabilities and that coverage levels remain constant. Any weakening of cash and investments and/or additional debt would be viewed negatively by Standard & Poor's.

The J. Paul Getty Trust

The Getty Trust is a private operating foundation formed under Section 103 of the Internal Revenue Code of 1986. It is a charitable trust devoted to the visual arts and humanities and based at the Getty Center in Los Angeles. Through four primary venues--the J.Paul Getty Museum, the Getty Research Institute, the Getty Conservation Institute, and the Getty Grant program--the trust serves both the public and various professionals. J. Paul Getty's estate was settled in 1981, after which the trustees expanded the mission from a very broad-based program to the four main divisions operating today. The completion of the Getty Center in 1997 was the next big step in the history of the trust. The Getty Center combines the various programs and the Getty Museum on 110 acres in Los Angeles. The renovation of the Villa Museum is not a new project, although the trustees did not anticipate the project would be undertaken until the Getty Center was complete. Improvements at the Getty Villa began in March 2000, and the project is expected to be complete and open to visitors by the end of 2005.

Finances

At the close of fiscal 2004, the Getty Trust held about \$4.8 billion in cash and investments (marketable securities), up from \$4.3 billion in fiscal 2003. This amount covers pro forma debt of \$640 million (which does not include the full amount of authorized CP, just the anticipated \$40 million of CP, although none is being used at the moment) by more than 6x and current operating expenses by 15x.

Since there were no donor restrictions as per the trust, nearly 100% of the trust's assets, about \$7.3 billion in fiscal 2004 (an increase from \$6.8 billion in fiscal 2003), are considered to be unrestricted. Since the trust is classified as an operating foundation and since the artwork was not donated, the trust's collections are included on the balance sheet. The trust's operating expenses totaled \$267 million in fiscal 2003. Included in the \$268 million of operating revenue, gains, and other support were \$257 million of endowment funds used for operations. The fiscal 2004 budget reduced endowment spending to \$231.2 million as a result of endowment losses. As a percentage of total expenses in fiscal 2004, museum operations comprised 35% of the total, followed by research and library (22%), conservation (16%), and general and administrative costs (11%). The 2005 operating budget is projected to be \$246 million, with \$224 million coming from endowment. This slightly reduced budget was achieved through efficiencies, management said, including eliminating some management positions and a reduction in art acquisitions. On the revenue side, parking fees were increased to \$7 from \$5.

The trust largely relies on its endowment to produce the investment income necessary to run operations. For the fiscal year ending June 30, 2003, the trust returned a positive total of 2.8%; and for fiscal 2004, the return was 16.1%. The investment policy has recently been revised and provides that the trust's investments should be allocated approximately 50% to publicly traded domestic and international equity securities, approximately 20% to fixed income securities, and approximately 30% to alternative investments. At June 30, 2004, approximately 60% of the Getty Trust's investments were in publicly traded domestic and international equity securities, approximately 25% were in fixed income securities, and the remaining were in alternative investments.

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