Moody's Investors Service
Global Credit Research

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J. Paul Getty Trust, CA

California Infrastruc. & Econ. Dev. Bank, CA

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Moody's Rating

Issue		Rating
Variable Rate Revenue Bonds, Series 2003 A-D		Aaa/VMIG 1[1]
Sale Amount	$275,000,000	
Expected Sale Date	05/13/03	
Rating Description	Non-for-Profit Variable Rate Bonds	

[1] Based on insurer policy by Ambac

MOODY'S ASSIGNS Aaa/VMIG 1 RATING TO THE J. PAUL GETTY TRUST'S $275 MILLION OF VARIABLE RATE REVENUE BONDS TO BE ISSUED THROUGH THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK; OUTLOOK IS STABLE

LONG-TERM RATING OF Aaa AFFIRMED, AFFECTING $374 MILLION OF OUTSTANDING DEBT

Opinion

Moody's Investors Service has assigned a Aaa/VMIG 1 rating to the J. Paul Getty Trust's (Getty Trust) $275 million Variable Rate Revenue Bonds issued through the California Infrastructure and Economic Development Bank. Proceeds from the bonds will used to complete renovations of the Getty Villa, to pay down $89 million of outstanding commercial paper, and to reimburse the Trust for $15 million of previously expended Getty Villa project costs. These bonds are an unsecured, general obligation of the Getty Trust and repayment will be supported by the Trust's resource base of almost $4.4 billion and its own internal liquidity.

The Aaa/VMIG1 rating is based on the Getty Trust's:

- High unrestricted financial resource base that provides excellent coverage of operations and debt despite recent investment losses;

- Prominent stature as a foundation trust and operator of a world-renowned art museum;

- Well-managed operations, which compensates for a high dependency on investment income; and

- Strong internal liquidity and high financial flexibility that offset interest rate and tender risks.

At this time, we are also affirming the P-1 rating on the Getty Trust's commercial paper program ($225 million) and an Aaa long-term rating for the Getty Trust's outstanding Series 1994 certificates of participation ($99 million), issued through California Statewide Communities Development Authority. The Aaa carries a stable outlook.

VAST RESOURCES PROVIDE EXCELLENT SUPPORT OF OPERATIONS AND DEBT:

We believe the Getty Trust's significant unrestricted financial resource base will continue to provide excellent coverage of its debt, despite a sizable increase in leverage following the current offering. The Getty Trust, created with funds from the estate of J. Paul Getty, holds cash and investments of approximately $4.4 billion as of FY 2002, all of which are unrestricted. These funds generate income that funds operations and research in the areas of the visual arts and humanities. Unrestricted cash provides a high 10.0 times coverage of $443 million of proforma debt (including pay-down of commercial paper to $69 million outstanding with proceeds from this sale) and an exceptional 17.8 times coverage of operations.

After several years of double-digit annual growth, the Getty Trust's investments have declined over the last two fiscal years and further losses are expected in FY 2003. Between 1996 and 2000, cash and investments grew almost 50% as a result of favorable investment returns. In FY 2001 and FY 2002, the Trust's investment return was a negative 7% and 6%, respectively. Year-to-date performance has also been down, with a return of negative 8%. While the Trust has modestly outperformed benchmarks, losses are above average as compared to peer institutions. This reflects the Trust's relatively higher domestic equity allocation, with the portfolio's asset allocation (which currently approximates policy targets) at 40% domestic equities, 20% international equities, 30% fixed income and 10% private equity.

Although Moody's believes the portfolio is relatively concentrated in equities, it is well managed within each of these categories. Investments are well diversified among active and passive strategies, growth and value equities and small and large equities, as well as among managers. In order to diversify the portfolio further, the institution is considering increasing its allocation to alternative investments such as absolute return strategies to 10%.

FOUNDATION TRUST OPERATES PROMINENT ART MUSEUMS AND PROGRAMS:

The J. Paul Getty Trust, established in 1953, is a private operating foundation created for the purpose of benefiting the visual arts and humanities. The Getty Center, operated by the Getty Trust, opened to the public in 1997 and is located on 110 acres in the foothills of the Santa Monica Mountains. The Getty Center features a museum facility, extensive gardens, and facilities that house the Getty Research Institute, the Getty Conservation Institute and the Getty Grant Program. The Getty Center does not charge admission and serves over 1.3 million visitors annually. The museum at the Getty Center houses European paintings, drawings, sculpture, illuminated manuscripts, decorative arts, and European and American photographs. The Villa Museum, located in Malibu, will house the collection of Greek and Roman antiquities and is currently projected to reopen in Fall 2005.

The Getty Villa renovations are expected to cost $288 million, with an additional $10 million set aside for contingencies. Improvements during the first stage of the project are nearly complete and include renovation of the existing museum, refurbishment of a parking structure, and upgrading and installation of new roads. Improvements during the second stage of the project include construction of a new central plant, a café, auditorium and bookstore, two parking structures, an entry court, an outdoor theater, a plaza, a new conservation laboratory, and an office building.

Due to lawsuits brought on by homeowners adjacent to the Getty Villa challenging the Getty Villa's 1999 conditional use permit, construction of the first stage was delayed and did not begin until March 2000. In January 2003, the litigation was fully resolved in the Getty Trust's favor, and the Villa is expected to re-open to visitors in 2005.

OPERATIONS ALMOST ENTIRELY FUNDED WITH INVESTMENT INCOME, BUT EXPENSES ARE WELL-MANAGED:

While the Getty Trust's dependency on investment income to almost entirely fund its operations presents risks, we believe that the institution's prudent budgeting practices and well-managed expenses provide more than enough cushion to withstand short-term market-related fluctuations in revenue. With more than 95% of its Moody's adjusted revenue base derived from investment income, the Getty Trust's operating performance varies with market fluctuations. Applying Moody's adjusted endowment spending rate, the Getty Trust's three-year average operating margin is 16%, indicating that the institution operates well within a prudent spending rate. Favorably, expense growth rates have been low over the last 3 years, averaging about 4%. Growth in FY 2002, however, was a relatively high 8.1% due to new contributions for employee retirements and rising insurance costs. However, based on cost controls implemented this year and the Trust's FY 2002 budget, expense growth is expected to fall to historically low levels going forward.

The Getty Trust operates on a 5% three-year moving average spending rule for operations. After years of high growth, investment revenues for operations from this rule declined somewhat this year, and are projected to decline another 5% in FY 2004. While financial margins may tighten somewhat this year, revenue declines were largely offset through expense controls including layoffs and lower equipment purchases. Over the next three years, beginning in FY 2004, management plans to cut spending 10% a year in order to ensure fiscal stability. This level of cut exceeds declines currently projected under the formal spending rule, assuming a relatively conservative 2.5% growth in resources, and includes expense growth necessary to open the Getty Villa in FY 2005.

In addition to investment income, the Getty Trust generates some other revenue from parking fees, publishing, bookstore and food service operations. It does not charge admission to its museums, but demand for the exhibits would clearly support an admission fee if the institution ever needed to bolster revenue to support operations.

RISING LEVERAGE LEVELS WITH LIMITED ADDITIONAL DEBT CAPACITY AT THE Aaa RATING LEVEL

The Getty Trust's outstanding debt has risen $344 million over the last two years. At the same time, the financial resources have fallen due to investment losses. While coverage of unrestricted resources to debt is still excellent, additional significant leverage would lead to negative pressure on the Aaa rating level. In addition, the Getty Trust's 10 year capital plans are significant, with a long-term goal of acquiring over $1.0 billion of new art and constructing a $30-$40 million new parking facility.

The Getty Trust intends to use its commercial paper program over the next few years as bridge financing to provide interim funding for a new parking facility and periodic capital improvements at the Getty Center, as well as the acquisition of art. Depending on financial resource growth, management plans to utilize up to $150-200 million of its commercial paper authorization over the next few years and will consider issuing up to $270 million long-term debt to provide long-term financing for the outstanding CP.

While Moody's believes the Getty Trust has some additional debt capacity at the Aaa rating level, we believe rising leverage could be a potential long-term risk in the absence of future resource growth. Our outlook remains stable, however, based on the fact that management has the flexibility to delay projects indefinitely and remains committed to manage future borrowing prudently based on financial resource growth.

STRONG INTERNAL LIQUIDITY TO MEET TENDERS FOR THESE BONDS; RISK FROM VARIABLE RATE EXPOSURE MINIMAL:

These variable rate bonds and the Getty Trust's outstanding commercial paper program are supported by approximately $420 million in U.S. treasury and agency securities providing just over 1.2 times coverage of these bonds and outstanding commercial paper. Management has indicated to us that as they draw down on the commercial paper authorization (authorized up to $225 million), they will limit their securities lending program or add to liquid resources in order to maintain adequate coverage at all times from immediately available resources. In addition, the Getty Trust has other liquid assets that currently do not meet Moody's strict criteria, but are available for repayment, including other money market funds (at $212 million) and two operating lines of credit totaling $10 million (not dedicated to the bonds).

All of the Getty Trust's pro-forma debt is currently in variable rate mode, although management reports plans to enter into swaps to fixed rate with two counterparties, JP Morgan Chase Bank (rated Aa3, P-1) and Morgan Stanley Capital Services Inc. guaranteed by Morgan Stanley (rated Aa3, P-1). Last January, the Getty Villa entered into fixed-to-variable swaps with these two counterparties for a total notional amount of $95 million (in line with their outstanding COPS). Next year, both counterparties have the option to cancel this swap, or convert it to swap-to-fixed, or keep the swap-to-variable under new terms. While there is no mechanism for the Getty Trust to terminate these swaps by choice, Moody's believes the risks to the Trust associated with these two swaps (and additional swaps associated with $275 million sale) are not a current threat to the Trust's Aaa credit quality. Our view is based the Trusts' vast financial resources, which are managed at a macro level as a natural hedge, as well as its high financial margins and conservative budgetary practices. It is also based on management's target to limit variable rate debt to one-third of outstanding total.

Outlook

The stable outlook is based on our belief that the Getty Trust's portfolio will continue to provide excellent coverage of debt and operations, although additional debt capacity at the Aaa rating level is limited.

KEY DATA AND RATIOS (Fiscal year 2002 financial data, adjusted for a 4.5% spending rate)

Total Revenue: $289 million

Total Pro forma Debt: $526 million (including $60 down of commercial paper program)

Expendable Resources to Debt: 8.3 times

Expendable Resources to Operations: 17.8 times

Average Operating Margin: 16.0%

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