

J. Paul Getty Trust, CA

California Infrastruc. & Econ. Dev. Bank, CA

Contacts

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Moody's Rating

Issue	Rating
Tax-Exempt Commercial Paper Notes	P-1
Sale Amount	\$225,000,000
Expected Sale Date	05/08/02
Rating Description	Not-For-Profit Commercial Paper Notes

MOODY'S ASSIGNS P-1 RATING TO THE J. PAUL GETTY TRUST'S \$225 MILLION OF COMMERCIAL PAPER NOTES TO BE ISSUED THROUGH THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

LONG-TERM RATING OF Aaa AFFIRMED, AFFECTING \$102 MILLION OF OUTSTANDING DEBT

Opinion

Moody's Investors Service has assigned a P-1 rating to the J. Paul Getty Trust's (Getty Trust) tax-exempt commercial paper program, authorized in the amount of \$225 million and to be issued through the California Infrastructure and Economic Development Bank. Proceeds from commercial paper will be used to substantially renovate the Getty Villa and to support periodic capital improvements at the Getty Center, both located in Los Angeles, as well as to provide interim funding for the acquisition of art. The commercial paper is an unsecured, general obligation of the Getty Trust and repayment will be supported by the Trust's considerable resource base of almost \$5 billion.

The P-1 rating is based on the Getty Trust's:

- significant financial resources that provide excellent debt coverage and support for commercial paper;
- prominent stature as a foundation trust and operator of a world-renowned art museum; and

- well-managed operations, which compensates for a high dependency on investment income.

At this time, we are also affirming the Aaa long-term rating for the Getty Trust's outstanding Series 1994 certificates of participation (\$102 million), issued through California Statewide Communities Development Authority. The Aaa carries a stable outlook.

VAST RESOURCES PROVIDE EXCELLENT DEBT COVERAGE AND SUPPORT FOR COMMERCIAL PAPER:

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 J. Paul Getty Trust, created with funds from the estate of J. Paul Getty, holds cash and investments of approximately \$5 billion, 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 an exceptional 14.8 times coverage of \$327 million of proforma debt (assuming a full drawdown of commercial paper).

The Getty Trust's investments have generated strong returns over the last several years and we believe its investment strategy is well diversified. Between 1996 and 2000, cash and investments grew almost 50% as a result of favorable investment returns. For fiscal year ended June, 2001, the Trust's investment return was a negative 7% and a negative 1.5% through December 31, 2001, reflecting the recent weakening of the equity markets. The portfolio's current asset allocation is 51% domestic equities, 17% international equities, 30% fixed income and 2% alternative investments. 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. The institution is considering increasing its allocation to alternative investments to 10%.

The commercial paper program is supported by approximately \$304 million in U.S. treasury and agency securities. Management will limit its securities lending program to allow for continuous adequate coverage of outstanding commercial paper.

The Getty Trust intends to use the commercial paper program in part as bridge financing for renovations at its Villa location and will consider issuing long-term debt over the next year to provide permanent financing for the Villa project. The board has authorized up to \$275 million of permanent financing. Because of the timing of draws and varied purposes of the commercial paper program, it is possible that both the permanent bonds and a portion of the commercial paper program will be outstanding. Moody's will re-evaluate the Getty Trust's credit position, including its ability to support incremental debt with financial resources, at the time of the permanent financing.

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, which does not charge admission, serves over 1 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 2004.

The Getty Villa renovations are expected to cost \$255 million, with an additional \$10 million set aside for contingencies. The project will be funded with proceeds from the commercial paper program and, ultimately, with the issuance of permanent financing. Improvements during the first stage of the project 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. Construction began on the first stage of improvements at the Getty Villa in March 2000, and the Getty Villa is currently projected to re-open to visitors in 2004.

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

While the Getty Trust's dependency on investment returns 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 over 90% of its revenues derived from investment income, the Getty Trust's operating performance varies with market fluctuations. Applying Moody's standard 4.5% endowment spending rate, the Getty Trust's three-year average operating margin is 14%, indicating that the institution operates well within a prudent spending rate. Other revenue is generated from parking fees, publishing, bookstore and food service operations. The Getty Trust 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. Certain expenses are discretionary and within the institution's control to cut if necessary. Expense growth rates have been low over the last 3 years, averaging about 2%.

Outlook

The stable outlook is based on our belief that the Getty Trust's portfolio will continue to provide excellent coverage of current and future debt as well as operations.

KEY DATA AND RATIOS (Fiscal year 2001 financial data, adjusted for a 4.5% spending rate)

Total Revenue: \$290 million

Total Proforma Debt: \$327 million

Expendable Resources to Debt: 14.8 times

Expendable Resources to Operations: 21.3 times

Average Operating Margin: 14.3%

CONTACTS:

Issuer: Mr. Steve Juarez, Director of Financial Management, 310-440-6643.

Underwriter: Ms. Linda Fan, Morgan Stanley & Co. Inc., 212-762-8259.