KPMG

THE J. PAUL GETTY TRUST

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

KPMG

KPMG LLP
Suite 700
600 Anton Boulevard
Costa Mesa, CA 92626-7651

Independent Auditors' Report

The Board of Trustees
The J. Paul Getty Trust:

We have audited the accompanying statements of financial position of The J. Paul Getty Trust (the Trust) (a tax-exempt, private operating foundation) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The J. Paul Getty Trust as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 23, 2007

THE J. PAUL GETTY TRUST

Statements of Financial Position

June 30, 2007 and 2006

(Amounts in thousands)

Assets		**2007**	**2006**
Cash	$	307	264
Receivables:			
Investments		37,993	42,689
Interest and dividends		5,536	5,842
Other		4,013	2,312
Investments		6,100,045	5,359,889
Investments loaned under securities lending agreement		316,701	197,216
Investments whose use is limited		1,024	1,609
Collateral held under securities lending agreement		337,457	201,678
Property and equipment, net		1,401,475	1,433,930
Collections and other assets		1,804,760	1,777,432
	$	10,009,311	9,022,861
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	20,398	25,783
Payables on investment purchases		25,074	29,306
Accrued and other liabilities		128,225	107,708
Grants payable		6,309	11,196
Payable under securities lending agreement		337,457	201,678
Bonds payable, net of bond issue discount of $1,222 and $1,268 in 2007 and 2006, respectively		612,638	616,237
		1,130,101	991,908
Net assets:			
Unrestricted		8,878,208	8,029,472
Temporarily restricted		677	1,161
Permanently restricted		325	320
		8,879,210	8,030,953
	$	10,009,311	9,022,861

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Activities

Years ended June 30, 2007 and 2006

(Amounts in thousands)

		2007	2006
Change in unrestricted net assets:			
Operating revenue and expenses:			
Support and revenue:			
Endowment funds used for operations	$	238,637	225,000
Sales and other income, net		16,819	13,590
Contributions		2,197	36,197
Net assets released from restriction		693	488
Total support and revenue		258,346	275,275
Expenses:			
Program services:			
Museum		126,740	115,623
Research and library		63,702	55,827
Conservation		46,618	43,281
Education		9,246	10,075
Grants		27,776	40,107
Total program services		274,082	264,913
Supporting services:			
General and administrative		33,621	28,655
Total expenses		307,703	293,568
Operating loss, net		(49,357)	(18,293)
Nonoperating revenue and expenses:			
Interest and dividend income, net		77,180	66,010
Net realized and unrealized gains on investments		1,062,456	711,047
Unrealized gain (loss) on interest rate swap agreements		(2,906)	23,337
Reserve for impairment of assets		—	(4,580)
Endowment funds used for operations		(238,637)	(225,000)
Nonoperating revenue and expenses, net		898,093	570,814
Change in unrestricted net assets		848,736	552,521
Change in temporarily restricted net assets:			
Contributions		209	622
Net assets released from restriction		(693)	(488)
Change in temporarily restricted net assets		(484)	134
Change in permanently restricted net assets:			
Contributions		5	20
Change in net assets		848,257	552,675
Net assets, beginning of year		8,030,953	7,478,278
Net assets, end of year	$	8,879,210	8,030,953

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Cash Flows

Years ended June 30, 2007 and 2006

(Amounts in thousands)

		2007	2006
Cash flows from operating activities:			
Change in net assets	$	848,257	552,675
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		47,780	45,012
Net realized and unrealized gains on investments		(1,062,456)	(711,047)
Unrealized (gain) loss on interest rate swap agreements		2,906	(23,337)
Noncash contributions of art		(965)	(34,294)
Reserve for impairment of assets		—	4,580
Loss on disposition of property and equipment		1,668	746
Changes in operating assets and liabilities:			
Interest and dividends receivable		306	489
Other receivables		(1,701)	159
Other assets		(28,941)	(35,102)
Accounts payable		(5,385)	1,812
Accrued and other liabilities		20,517	14,942
Grants payable		(4,887)	3,355
Other		42	27
Net cash used in operating activities		(182,859)	(179,983)
Cash flows from investing activities:			
Proceeds from sales of investments		4,288,907	5,155,169
Purchases of investments		(4,085,043)	(4,888,784)
Proceeds from sale of property and equipment		103	103
Purchases of property and equipment		(17,425)	(82,885)
Net cash provided by investing activities		186,542	183,603
Cash flows from financing activities:			
Payments on bonds payable		(3,645)	(3,495)
Contributions restricted for long-term investment		5	20
Net cash used in financing activities		(3,640)	(3,475)
Net increase in cash		43	145
Cash, beginning of year		264	119
Cash, end of year	$	307	264
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized of $5,768 for the year ended June 30, 2006	$	29,598	24,359

See accompanying notes to financial statements.

(1) Organization

The J. Paul Getty Trust (the Trust) is a tax-exempt, private operating foundation whose mission serves both general audiences and specialized professionals. The Trust is a cultural and educational institution that focuses on the visual arts in all of their dimensions and their capacity to strengthen and to inspire aesthetic and humanistic values. It is dedicated to the presentation, enjoyment, study, and conservation of the visual arts and humanities in order to offer the public opportunities to fully understand, experience, value, and preserve the world's art and cultural heritage.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Trust recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Trust and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in carrying out the Trust's mission. As of June 30, 2007 and 2006, unrestricted net assets totaled $8,878,208,000 and $8,029,472,000, respectively.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. As of June 30, 2007 and 2006, temporarily restricted net assets totaled $677,000 and $1,161,000, respectively.
- **Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is available for general support of the Trust's programs and operations unless otherwise stipulated by the donor. As of June 30, 2007 and 2006, permanently restricted net assets totaled $325,000 and $320,000, respectively.

(b) Investments

Investments in equity securities with readily determinable market values and all debt securities are stated at fair value at June 30, 2007 and 2006. Fair value is determined based on quoted market prices. To increase expected returns and provide further diversification to the investment portfolio, the Trust has been increasing its allocation to alternative investments where no readily determinable market value exists. A significant portion of the Trust's alternative investments is made up of limited partnerships, which include private equity, venture capital, hedge funds, distressed debt, and real assets. Limited partnerships invest in both publicly traded and private securities and are reported at fair value based on valuations provided by the general partners or external investment managers as of

June 30. These valuations are reviewed and evaluated by the Trust who agrees with the valuation methods and assumptions used to determine fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Unrealized gains or losses on investments are recorded in the statements of activities. Investment purchases and sales are recorded on a trade-date basis. Dividend income is recorded based upon the ex-dividend date, and interest income is recorded as earned on an accrual basis. The allocation of cost to a sale, where part of a holding is disposed of, is based on specific identification.

Futures, forwards, and options contracts are marked to market with the change reflected in net realized and unrealized gains on investments in the accompanying statements of activities.

(c) Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, whichever is shorter, as follows:

Buildings	25 to 50 years
Building improvements	Up to 25 years
Leasehold improvements	Lesser of life of asset or lease term
Furniture, equipment, and exhibits	4 to 25 years

The Trust reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of property, buildings, equipment, and exhibits may not be recoverable. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. No events occurred giving rise to any material impairment loss during the years ended June 30, 2007 and 2006.

(d) Collections and Other Assets

Included in collections and other assets are the Trust’s collections, which comprise art objects, artifacts of historical significance, and the research and photographic libraries that are held for exhibition and educational, research, and curatorial purposes. Collection items are recorded at cost if purchased or, if contributed, at appraised value at the date of contribution. As of June 30, 2007 and 2006, the Trust’s collection totaled $1,789,637,000 and $1,761,932,000, respectively.

Objects in the Trust’s collection may be subject to decreases in value due to changes in attribution. In addition, objects in the Trust’s collection may be subject to forfeiture or other claims made by individuals, for example, objects appropriated during the Nazi era, or by countries related to the return of cultural property. The Trust closely monitors these risks, and when it is determined that the value of an item may be impaired and the loss can be estimated, the Trust adjusts the value of the assets by establishing a reserve. The Trust established an antiquities reserve of $45,685,000 during the year ended June 30, 2005, increasing it to $50,265,000 as of June 30, 2006 as a result of additional information provided to the Trust. The reserve decreased to $45,815,000 as of June 30, 2007 due to the return of two items to the government of Greece. The Trust reached an agreement with the Italian government to return 40 objects to Italy during the 2008 fiscal year. The carrying amount of these objects are included in the June 30, 2007 reserve balance.

(e) Endowment Funds Used for Operations

As a part of the annual budgeting process, the trustees approve a spending level from accumulated endowment gains. Such amount is reflected in the accompanying statements of activities as operating revenues. The amount is offset by a nonoperating charge in the same amount, also entitled endowment funds used for operations.

(f) Grant Expenditures

Grant expenditures are recognized as expense in the period the grant is approved, provided the grant is not subject to future contingencies, and includes grants that are expected to be paid in future years.

(g) Contributed Services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Trust receives a significant amount of contributed time from unpaid volunteers that does not meet the recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

(h) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

(i) Fair Value of Financial Instruments

The carrying value of the Trust's financial instruments, not otherwise disclosed herein, is comparable to the fair value due to the short-term nature of these financial instruments. Additionally, the carrying value of bonds payable also approximates fair value.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Income Taxes

The Trust has been classified as a tax-exempt private operating foundation under Sections 501(c)(3) and 4942(j)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code. The Trust also qualifies as an exempt operating foundation as described in IRC 4940(d)(2) and, as such, is not subject to federal excise taxes on its net investment income under IRC Section 4940.

(l) Reclassifications

Certain reclassifications have been made to the 2006 financial data to conform to the 2007 presentation.

(3) Investments

At June 30, 2007 and 2006, the Trust's investments, at fair value, consist of the following:

		2007	2006
		(Amounts in thousands)	
Short-term investments	$	181,313	210,612
U.S. Treasury and agency securities		231,710	274,188
Corporate bonds		309,365	346,405
Alternative investments		3,423,121	2,529,156
Common stocks		1,055,660	1,021,394
Mutual funds		1,216,601	1,176,959
	$	6,417,770	5,558,714
Investments	$	6,100,045	5,359,889
Investments loaned under securities lending agreement		316,701	197,216
Investments whose use is limited		1,024	1,609
	$	6,417,770	5,558,714

Investments Whose Use is Limited

Investments whose use is limited consist of unspent bond proceeds whose uses are limited by terms of their respective agreements. Also included are amounts, which are temporarily restricted by donors, as well as those restricted by donors for investment in perpetuity. As of June 30, 2007 and 2006, investments whose use is limited totaled $1,024,000 and $1,609,000, respectively.

(4) Derivative Financial Instruments

In the normal course of business, the Trust uses various financial instruments, including derivative financial instruments, to hedge the Trust's exposure to certain risks.

The Trust primarily uses a combination of forward contracts and futures to manage price, currency, and interest rate exposures associated with specific activities. Under these instruments, the Trust agrees to the future delivery of a currency or security, on an agreed-upon date, at an agreed-upon price. These contracts are entered into with the intention to minimize the Trust's economic exposure to adverse fluctuations in financial or currency markets and to reduce interest rate risk.

The Trust also enters into derivative instruments as an alternative to ownership of the underlying asset. Specifically, forward contracts are used as an alternative to ownership.

All of the Trust's derivative instrument positions are marked to fair value as a component of the change in net assets in the accompanying statements of activities. These amounts are included in investments in U.S. Treasury and agency securities and short-term investments as presented in note 3.

The notional units and fair values of forward contracts and futures as of June 30, 2007 and 2006 are as follows (amounts in thousands):

	2007		2006	
	Notional units	Fair value	Notional units	Fair value
Net forward contracts to purchase (sell)	(326,982)	$ (14,635)	12,303	17,927
Futures	876,450	398,615	68,588	65,234
		$ 383,980		83,161

The Trust's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the statements of financial position, arising either from potential changes in market prices or the possible inability of counterparties to meet the terms of their contracts. The Trust's investment advisors closely monitor the financial condition of the firms used for these contracts in order to minimize the risk of loss. Management believes the Trust's use of derivatives does not result in credit or market risk that would materially affect the Trust's financial position.

(5) Securities Lending

The Trust participates in securities lending transactions with a third-party investment company whereby the Trust lends investments in exchange for a premium. Under the terms of its securities lending agreement, the Trust requires collateral of a value at least equal to 102% of the then fair value of the loaned investments (105% for loaned securities not denominated in U.S. dollars). The Trust maintains effective control of the loaned investments during the term of the agreement, in that they may be redeemed by the Trust prior to the agreement's maturity. Upon the maturity of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed. The risks to the Trust of securities lending transactions are that the borrower may not provide additional collateral when required or may not return the investments when due. Investments loaned under securities lending transactions totaled $316,701,000 and $197,216,000 as of June 30, 2007 and 2006, respectively. Cash and noncash financial instruments received as collateral totaled $317,292,000 and $20,165,000 as of June 30, 2007, respectively, and $199,074,000 and $2,604,000 as of June 30, 2006, respectively. Amounts received as collateral are separately disclosed as an asset and as a payable under securities lending agreement in the accompanying statements of financial position as of June 30, 2007 and 2006.

(Continued)

(6) Property and Equipment

At June 30, 2007 and 2006, property and equipment consist of the following:

		2007	2006
		(Amounts in thousands)	
Land and improvements	$	78,545	61,991
Buildings		1,606,188	1,595,185
Leasehold improvements		825	6,736
Furniture and equipment		104,519	99,584
Work in progress		9,169	22,798
		1,799,246	1,786,294
Less accumulated depreciation and amortization		(397,771)	(352,364)
	$	1,401,475	1,433,930

(7) Grants Payable

Grants payable consist of approved grant commitments that are expected to be paid in the following years ending June 30 (amounts in thousands):

2008	$	3,889
2009		991
2010		687
2011		642
2012		100
	$	6,309

(8) Bonds Payable

Outstanding bonds payable consists of the following bond issuances:

(a) 2003 Variable Rate Revenue Bonds

On May 12, 2003, the Trust issued $275,000,000 in variable rate revenue bonds issued by the California Infrastructure and Economic Development Bank, which mature on April 1, 2033. Proceeds were used to finance a portion of the Getty Villa renovation and the related bond issuance costs. Interest rates are adjusted when the bonds are remarketed. During the remarketing period from February 2, 2005 until February 1, 2006, interest accrued at a rate of 2.25%. On February 2, 2006, the bonds were remarketed in two tranches. The first tranch of $140,000,000 was remarketed at an interest rate of 3.17%, and was remarketed again on August 2, 2006 at an interest rate of 3.90% for a term through December 1, 2011. The second tranch of $135,000,000 was remarketed at an interest rate of 3.25% and was again remarketed on February 2, 2007 with interest rates adjusted daily based on the rates available to investors in the tax-exempt municipal bond market (rate of 3.82% at June 30, 2007). The redemption period for the bonds begins April 1, 2012 and ends April 1, 2033.

Accrued interest on the bonds as of June 30, 2007 and 2006 was $1,889,000 and $2,206,000, respectively.

(b) 2003 Taxable Bonds

On October 1, 2003, the Trust issued $250,000,000 Series 2003 Taxable Bonds. The bonds, maturing on October 1, 2033, were issued with a coupon interest rate of 5.875%, which is payable semiannually on April 1 and October 1. The proceeds are being used to finance or refinance capital projects of the Trust, including but not limited to the acquisition of objects of art. A portion of such proceeds was also used to retire the Trust's outstanding commercial paper liability. The bonds were issued with an original issue discount that totaled $1,392,000. The discount is being amortized over 30 years, which is consistent with the life of the bonds. The bonds are subject to redemption beginning October 1, 2013. Accrued interest on the bonds as of both June 30, 2007 and 2006 was $3,672,000.

(c) 2004A and 2004B Variable Rate Revenue Bonds

On September 1, 2004, the Trust issued $96,000,000 in variable rate revenue bonds. The bonds mature on October 1, 2023. Proceeds were used to refund $95,645,000 of the outstanding principal amount of the Trust's 1994 Revenue Bonds. Following an initial one-year put, during which interest accrued at 1.62%, the bonds were remarketed in two tranches on February 2, 2006. The first tranch of $46,255,000 was remarketed at an interest rate of 3.17% and was again remarketed on August 2, 2006 at an interest rate of 4.00% for a term through December 1, 2011. The second tranch of $46,250,000 was remarketed at an interest rate of 3.25% and was again remarketed on February 2, 2007 with interest rates adjusted daily based on the rates available to investors in the tax-exempt municipal bond market (rate of 3.81% at June 30, 2007). The Trust remitted a principal paydown of $3,645,000 in the current fiscal year, resulting in an outstanding balance of $88,860,000 as of June 30, 2007. Accrued interest on the bonds as of June 30, 2007 and 2006 was $602,000 and $749,000, respectively.

The following is a schedule by year of future maturities for the outstanding bond obligations as of June 30 (amounts in thousands):

		Principal amount
Year ending June 30:		
2008	$	3,780
2009		3,925
2010		4,075
2011		4,235
2012		4,395
Thereafter		593,450
		613,860
Less unamortized bond issue discount		(1,222)
	$	612,638

(9) Interest Rate Swap Agreements

In conjunction with the issuance of variable rate bonds discussed in note 8, the Trust entered into interest rate swap agreements with two counterparties. The swap agreements for each variable rate bond are as follows:

(a) 2003 Variable Rate Revenue Bonds Swap Agreement

In connection with the issuance of $275,000,000 in variable rate demand bonds (Series 2003A-D) discussed in note 8(a), the Trust entered into interest rate swap agreements with two counterparties in May 2003, which became effective May 13, 2004 and will terminate April 1, 2033. The swap agreements for each counterparty are against a notional amount of $137,500,000 for a total notional amount of $275,000,000. The Trust receives payments from the counterparties based on 70% of one-month LIBOR and pays the swap counterparties 3.67% in return.

In connection with the remarketing of the 2003 Variable Rate Revenue Bonds on February 2, 2006, the Trust entered into additional interest rate swap transactions with the two original counterparties involved in the initial swap transaction. The notional amount of the swap agreements totaled $275,000,000. Under these additional interest rate swaps, the Trust received payments calculated by reference to a fixed interest rate of 3.305% and made payments calculated by reference to the weekly BMA Municipal Swap Index. These agreements terminated in two tranches. The notional amount of $140,000,000 terminated on August 1, 2006, while the notional amount of $135,000,000 terminated on February 1, 2007. On August 2, 2006, in connection with the remarketing of the 2003 Variable Rate Revenue Bonds, swap agreements were entered into with the two original counterparties for a total notional amount of $140,000,000. The Trust receives payments of 3.779% and makes payments calculated by reference to the weekly BMA Municipal Swap Index. These agreements expire on December 1, 2011.

During the years ended June 30, 2007 and 2006, the valuation of the swap agreements resulted in a net unrealized gain of $108,000 and $29,459,000, respectively.

(b) 2003 Taxable Bonds Swap Agreement

In October 2004, the Trust entered into a fixed-to-floating swap agreement with two counterparties in conjunction with the $250,000,000 taxable bond transaction that the Trust had completed in October 2003 (Series 2003) discussed in note 8(b). The Trust receives a fixed rate payment of 5.325% on the notional amount of $250,000,000, through the planned termination date of October 1, 2033, and makes a fixed payment of 3.931% until October 1, 2013, at which time the Trust will pay a variable rate based on one-month LIBOR. The counterparties have an option to terminate the swap agreement on October 1, 2013, and semiannually thereafter. During the years ended June 30, 2007 and 2006, the valuation of these agreements resulted in a net unrealized loss of $2,996,000 and $12,854,000, respectively.

(c) 2004 Variable Rate Revenue Bonds Swap Agreement

In connection with the issuance of $96,000,000 in variable rate revenue bonds (Series 2004A-B) discussed in note 8(c), the Trust entered into interest rate swap agreements with two counterparties in October 2004. The notional amounts of the swaps for the years ended June 30, 2007 and 2006 are $86,310,000 and $89,560,000, respectively. The Trust receives payments from the counterparties based on 67% of one-month LIBOR less 0.2% and pays the swap counterparties 3.75% in return. During the years ended June 30, 2007 and 2006, the valuation of these agreements resulted in a net unrealized loss of $241,000, and a net unrealized gain of $6,899,000, respectively.

In connection with the remarketing of the 2004 Variable Rate Revenue Bonds on February 2, 2006, the Trust entered into additional interest rate swap transactions with the two original counterparties involved in the initial swap transaction. The notional amount of the swap agreements totaled $89,560,000. Under these additional interest rate swaps, the Trust received payments calculated by reference to a fixed interest rate of 3.305% and made payments calculated by reference to the weekly BMA Municipal Swap Index. These agreements terminated in two tranches of $44,780,000, the first terminating on August 1, 2006, and the second on February 1, 2007.

On August 2, 2006, in connection with the remarketing of the 2004 Variable Rate Revenue Bonds, swap agreements with a total notional amount of $44,780,000 were entered into with the same two counterparties, expiring on December 1, 2011. The Trust receives payments of 3.769% and makes payments calculated by reference to the weekly BMA Municipal Swap Index.

During the years ended June 30, 2007 and 2006, the valuation of these swap agreements resulted in a net unrealized gain of $223,000 and a net unrealized loss of $167,000, respectively.

(10) Retirement Plans and Postretirement Benefits

The liabilities related to the defined benefit retirement plans and postretirement benefits of the Trust are accrued based on various assumptions and discount rates, as described on the following page. The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors which, depending on the nature of the changes, could cause increases or decreases in the liabilities recorded.

The Trust has a defined benefit retirement plan covering substantially all of its employees. The benefits are based on years of service and the employee's highest consecutive five years of compensation during the last ten years of employment. The Trust annually contributes the required amount that satisfies the funding standards under Section 412(b) of the IRC. Contributions are intended to provide the defined benefit retirement plan with assets sufficient to pay all future benefits due to plan participants. The defined benefit retirement plan assets are comprised of short-term investments and mutual funds in equity and fixed income securities with State Street Bank as trustee for the defined benefit retirement plan.

In addition to the defined benefit retirement plan, the Trust provides supplemental retirement benefits for certain senior executives as outlined in their respective employment contracts. The funded status of the defined benefit retirement plan and the supplemental retirement plan as of June 30, 2007 and 2006 is as follows:

		Defined benefit		Supplemental retirement	
		2007	**2006**	**2007**	**2006**
		(Amounts in thousands)			
Change in benefit obligation:					
Benefit obligation at beginning of year	$	96,036	107,759	10,157	12,236
Service cost		5,894	7,114	—	380
Interest cost		6,071	5,496	619	609
Actuarial loss (gain)		(468)	(22,633)	157	(1,265)
Benefits paid		(1,893)	(1,700)	(970)	(1,803)
	$	105,640	96,036	9,963	10,157
Change in plan assets:					
Fair value of plan assets at beginning of year	$	79,937	71,035	—	—
Actual return on plan assets		14,589	8,302	—	—
Employer contributions		6,000	2,300	970	1,803
Benefits paid		(1,893)	(1,700)	(970)	(1,803)
	$	98,633	79,937	—	—
Funded status:					
Benefit obligation	$	(105,640)	(96,036)	(9,963)	(10,159)
Fair value of plan assets		98,633	79,937	—	—
Funded status		(7,007)	(16,099)	(9,963)	(10,159)
Unrecognized prior service cost		—	464	—	—
Unrecognized actuarial loss		—	2,963	—	3,289
Additional minimum liability		—	—	—	(3,289)
Net amount recognized (as a component of accrued and other liabilities)	$	(7,007)	(12,672)	(9,963)	(10,159)

	Defined benefit		Supplemental retirement	
	2007	**2006**	**2007**	**2006**
	(Amounts in thousands)			
Weighted average assumptions as of June 30:				
Discount rate	6.40%	6.40%	6.40%	6.40%
Expected long-term rate of return on plan assets	8.00	8.00	N/A	N/A
Rate of compensation increase	4.00	4.00	N/A	N/A
Measurement date	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006

The J. Paul Getty Trust Retirement Plan has an expected long-term rate of return assumption of 8%. This assumption reflects the asset allocation targets and both the historical and projected long-term return assumptions for each asset class in the portfolio.

The actuarial present value of the accumulated benefit obligations as of June 30, 2007 was approximately $87,788,000, of which approximately $84,499,000 was vested.

	Defined benefit		Supplemental retirement	
	2007	**2006**	**2007**	**2006**
	(Amounts in thousands)			
Components of net periodic benefit cost:				
Service cost	$ 5,894	7,114	—	380
Interest cost	6,071	5,496	619	609
Expected return on plan assets	(5,564)	(5,110)	—	—
Amortization of prior service cost	130	136	—	—
Recognized net loss	439	2,110	175	402
	$ 6,970	9,746	794	1,391

The investment policy of The J. Paul Getty Trust Retirement Plan is to maximize total return consistent with the income needs and risk tolerance for the program. The Plan has a long-term investment horizon consistent with the long-term nature of the retirement obligations. The policy and risk tolerance for the plan is reflected in the asset allocation target approved by the retirement plan committee. The asset allocation targets are reviewed periodically by the retirement plan committee to ensure that the targets are consistent with the plan policy and strategic objectives. The actual asset allocation is rebalanced as appropriate to match the target weights. Domestic equity assets are invested in an index fund that replicates the Wilshire 5000 index, and international equity assets are invested in an index fund that replicates the MSCI EAFE index. Fixed income assets are invested in an intermediate bond fund account that is actively managed by PIMCO and is benchmarked against the Lehman Aggregate index.

As of the measurement date, the defined benefit plan assets consist of the following:

	Defined benefit			
	2007		2006	
	Actual	**Target**	**Actual**	**Target**
Asset allocations:				
Equity securities	81.00%	75.00%	83.00%	75.00%
Debt securities	19.00	25.00	17.00	25.00
	100.00%	100.00%	100.00%	100.00%

The following is a schedule of expected future benefit payments:

		Defined benefit	**Supplemental retirement**
		(Amounts in thousands)	
Fiscal year ending June 30:			
2008	$	2,755	967
2009		3,068	934
2010		3,417	898
2011		3,880	860
2012		4,474	820
2013 – 2017		32,958	3,410
	$	50,552	7,889

Expected contributions to be made to the defined benefit retirement plan and the supplemental retirement plan during the year ending June 30, 2008 are $3,300,000 and $967,000, respectively.

The Trust provides postretirement healthcare to eligible employees who retire under the Trust's retirement plan. The cost of providing these benefits is substantially borne by the Trust. The accumulated postretirement benefit obligation relating to this plan at June 30, 2007 and 2006 consists of:

		2007	**2006**
		(Amounts in thousands)	
Retired employees	$	16,067	14,857
Fully eligible active employees		21,204	16,119
Other active employees		67,796	65,723
	$	105,067	96,699

The net periodic postretirement benefit cost included the following:

		2007	2006
		(Amounts in thousands)	
Service cost	$	9,807	11,674
Interest cost		6,151	5,390
Amortization of prior service cost		(101)	(101)
Recognized net loss		1,216	2,890
	$	17,073	19,853

The following are the assumed healthcare trend rates:

	2007	2006
Healthcare cost trend assumed for the next year	9.50%	10.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00	5.00
Year that the rate reaches the ultimate trend rate	2016	2016

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects at June 30, 2007:

		One-percentage-point increase	One-percentage-point decrease
		(Amounts in thousands)	
Effect on total of service and interest cost components – increase (decrease)	$	4,128	(3,165)
Effect on postretirement benefit obligation – increase (decrease)		22,385	(17,521)

The Trust maintains a qualified 403(b) Employee Investment Plan, which permits eligible employees to make voluntary contributions on a pretax basis. This plan allows participants to invest in a variety of investments. This plan was enhanced in 1995 to include an employer match to employees contributing to the plan, following six months of employment. The match is held in a 401(a) plan. The 401(a) plan provides for uniform employer contributions of $1.00 for every dollar contributed by a participant up to 4% of the participant's compensation. The Trust contributed $1,993,000 and $2,094,000 to this plan in 2007 and 2006, respectively.

(Continued)

(11) Lines of Credit

The Trust has two revolving unsecured lines of credit for $5,000,000 with a bank. These expire on February 1, 2008, at which time any advances outstanding are due and payable. The first line of credit facilitates the issuance of commercial and standby letters of credit with maximum maturities of 180 and 365 days, respectively. The second line of credit provides for cash advances. Both bear interest at the bank's prime rate. The first line of credit also allows for optional interest rates based on short term fixed rates or LIBOR plus 1.5 percentage points, at the election of the Trust. There were no amounts outstanding at June 30, 2007 or 2006 under these agreements.

In addition, in January 2003, the Trust entered into an irrevocable letter of credit agreement with a bank for $1,000,000, which increased to $2,000,000 in August 2005. The agreement designates the Los Angeles City Department of Transportation as the beneficiary related to required transportation improvements near the Getty Villa. The letter of credit is automatically renewed annually each January unless the bank notifies the Trust of its intent to not renew the letter 30 days prior to its expiration.

(12) Commitments and Contingencies

(a) Lease Commitments

The Trust is obligated under various operating leases for equipment and facilities, which expire on various dates through 2012. The following is a schedule, by year, of minimum future rental payments related to these leases as of June 30, 2007 (amounts in thousands):

		Lease payments
Year ending June 30:		
2008	$	2,037
2009		863
2010		831
2011		731
2012		259
Total	$	4,721

Rent expense totaled $5,473,000 and $6,340,000 for the years ended June 30, 2007 and 2006, respectively.

(b) Legal Matters

In the ordinary course of business, the Trust is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Trust.

(c) Other Commitments

The Trust has investments in private equity partnerships. The future commitments to fund these partnerships totaled approximately $1,018,221,000 and $853,787,000 as of June 30, 2007 and 2006, respectively.