HOLLYWOOD ENTERTAINMENT BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
HOLLYWOOD PROPERTY OWNERS ALLIANCE
(Managing Entity for Hollywood Entertainment Business Improvement District)
Hollywood, CA 90028

We have reviewed the accompanying statement of financial position of Hollywood Entertainment Business Improvement District (the "District") as of December 31, 2012, and the related statements of activities and changes in unrestricted net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of District management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

GTL LLP
Certified Public Accountants
March 28, 2013
HOLLYWOOD ENTERTAINMENT BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

Current Assets:
  Cash and cash equivalents       $ 759,810
  Assessments receivable          170,390
  Due from affiliate              20,202
  Prepaid expenses                16,109
                                 966,511

Leasehold improvements, net (Note 3)      15,735

$ 982,246

LIABILITIES AND UNRESTRICTED NET ASSETS

Current Liabilities:
  Accounts payable                 $ 179,213
  Commitment (Note 7)             -

Unrestricted Net Assets          803,033

$ 982,246

See accompanying independent accountants' review report and notes to financial statements
HOLLYWOOD ENTERTAINMENT BUSINESS IMPROVEMENT DISTRICT

STATISTICS OF ACTIVITIES AND CHANGE IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

Revenue:
Property assessment income $ 3,510,376
Contract income-CHC 157,537
Grant income 5,000
Interest income 7,782

3,680,695

Operating Expenses:
Security 1,543,035
Maintenance 951,062
Marketing 42,742
Alley services 137,000

2,673,839

General and Administrative Expenses:
Accounting fees 51,104
Business meals 5,561
City fees 37,002
Dues and subscriptions 4,530
Insurance 54,274
Legal 12,000
Miscellaneous/contingency 10,389
Amortization 6,294
Minor office equipment 27,455
Office supplies 1,891
Payroll taxes 24,416
Rent 42,061
Salaries 353,384
Telephone 7,620
Temporary help/consulting 37,507
Travel 6,506
Contract expense-CHC 157,537

839,531

3,513,370

Increase in Unrestricted Net Assets 167,325
Unrestricted Net Assets, Beginning of Year 635,708
Unrestricted Net Assets, End of Year $ 803,033

See accompanying independent accountants' review report and notes to financial statements
HOLLYWOOD ENTERTAINMENT BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities:
  Increase in unrestricted net assets $ 167,325
  Adjustments to reconcile increase in unrestricted net assets to
  net cash provided by operating activities:
    Amortization 6,294
    Changes in operating assets and operating liabilities:
      Assessments receivable 190,029
      Due from affiliate 15,110
      Prepaid expenses (4,017)
      Accounts payable (14,033)
  Net cash provided by operating activities 360,708

Net Increase in Cash and Cash Equivalents 360,708

Cash and Cash Equivalents, Beginning of Year 399,102

Cash and Cash Equivalents, End of Year $ 759,810

See accompanying independent accountants' review report and notes to financial statements
HOLLYWOOD ENTERTAINMENT BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(1) NATURE OF OPERATIONS

Hollywood Entertainment Business Improvement District (the "District") was first organized under the laws of the State of California as a business improvement district for an initial period of January 1, 1997 through December 31, 2001. The District has undergone several subsequent renewals, in accordance with state law and city guidelines. The District was most recently renewed for a period extending from January 1, 2009 through December 31, 2018. On September 3, 2008, the City of Los Angeles renewed its contract with the Hollywood Property Owners Alliance (the "HPOA") to continue to operate the District for the extended period through 2018. The primary purpose of the District is to manage programs, activities, grants, and contracts with the aim of promoting community revitalization efforts, quality of life, security, streetscape improvements, tourism, economic development and business interest for the benefit of owners of commercial properties in the District. The District generates its revenue from the assessments to property owners imposed and collected by the County of Los Angeles, transferred to the City of Los Angeles and remitted to the HPOA.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Statement Presentation

The financial statements of the District have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The District is required to report information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Includes assessment revenue, contributions, fundraising and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the District.

Temporarily restricted net assets - Includes resources received that are temporarily restricted as to use by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets. The District has no temporarily restricted net assets.
(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

(a) Financial Statement Presentation - Cont'd

Permanently restricted net assets - Includes assets that have been restricted by the donor in perpetuity and cannot be expended by the District. The District has no permanently restricted net assets.

(b) Cash and Cash Equivalents

The District considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2012, there was a balance of $763,222 in money market funds, which are considered to be cash equivalents.

(c) Equipment and Improvements

Equipment and improvements are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as unrestricted, unless the donor has restricted the donated asset to a specific purpose, then it is reported as restricted. Depreciation/amortization is provided using the straight-line basis over estimated useful lives ranging from 3 to 5 years or the life of the lease.

(d) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. The District did not incur any impairment charges during the year ended December 31, 2012.
(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

(e) Income Taxes

The District is managed by HPOA which is exempt from taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC"), and from federal and state income taxes under Section 501(a) of the IRC and corresponding sections of the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements.

The District's federal income tax returns for tax years 2009 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2008 and beyond.

(ff) Subsequent Events

The District has evaluated events subsequent to December 31, 2012, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 28, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

(g) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.
(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

(h) Concentration of Credit Risk

Financial instruments which potentially subject the District to a concentration of credit risk consists of cash equivalents and assessments receivable. The District generally places its cash and cash equivalents with high credit quality financial institutions. At times, such cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000. Concentrations of credit risk with respect to assessments are limited since the District derives the majority of its revenue from the City of Los Angeles tax assessments.

(3) LEASEHOLD IMPROVEMENTS

Leasehold improvements, net at December 31, 2012 consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>$ 31,470</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(15,735)</td>
</tr>
<tr>
<td></td>
<td>$  15,735</td>
</tr>
</tbody>
</table>

Amortization expense for the year ended December 31, 2012 was $6,294.

(4) MAJOR REVENUE SOURCE AND RELATED RECEIVABLE

For the year ended December 31, 2012, approximately 95% of the District's revenue was from the BID's assessments levied by the County of Los Angeles on the property tax bills amounting to $3,510,376. At December 31, 2012, the amount due was $170,390, which represents delinquent tax assessments from a combination of public and privately owned parcels. No allowance for uncollectible accounts is considered necessary as management believes the entire amount to be collectible.
HOLLYWOOD ENTERTAINMENT BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(5) MAJOR VENDORS

For the year ended December 31, 2012, approximately 44% and 27% of the District's operating purchases were from two major vendors amounting to $2,494,000, approximately. At December 31, 2012, there was $169,714 due to these two vendors, which is included in accounts payable in the Statement of Financial Position.

(6) DUE FROM AFFILIATE

Amounts due from affiliate relate to ordinary course of business transactions that take place between the District and HPOA, its managing entity. At December 31, 2012, the amounts due from affiliate was $20,202. Reimbursement of these balances is routinely done shortly thereafter.

(7) COMMITMENT

The District has entered into a noncancelable lease for its office facilities which expires in June 30, 2015. Future minimum lease payments under this lease are as follows:

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>Total</th>
<th>Amount allocated to CHC</th>
<th>Amount allocated to the District</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>46,902</td>
<td>10,400</td>
<td>36,502</td>
</tr>
<tr>
<td>2014</td>
<td>48,312</td>
<td>10,400</td>
<td>37,912</td>
</tr>
<tr>
<td>2015</td>
<td>24,516</td>
<td>5,200</td>
<td>19,316</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$119,730</strong></td>
<td><strong>$26,000</strong></td>
<td><strong>$93,730</strong></td>
</tr>
</tbody>
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Rent expense for the year ended December 31, 2012 totaled $42,061, which includes parking, cleaning and janitorial monthly charges.

(8) LEGAL ASSERTION

At times claims, generally incidental to the conduct of normal business operations, are pending or threatened against the District. While ultimate liability, if any, is presumably indeterminable, in the opinion of management, the ultimate resolution will not have a materially adverse effect on the financial condition of the District.