



**CITY OF BEVERLY HILLS
STAFF REPORT**

Meeting Date: September 23, 2008
To: City Council
From: Alison Maxwell, Director Economic Development and Marketing
Subject: Funding for Beverly Hills Global Partners (BHGP, a Sister City Organization) and Request for direction regarding changing the City Council Policy concerning reimbursement for international travel by City Council Members.

Attachments:

1. BHGP - Sister City Objectives
2. Funding Request from BHGP/Request to Fund Full-Time Representative
3. Business Plan for Beverly Hills Sister City Committee
4. Resolution Establishing a Policy Regarding Reimbursement of Expenses
5. Sister City Comparison Survey (Conducted by Culver City)

INTRODUCTION

This item is to discuss a funding request from Beverly Hills Global Partners (BHGP) a Sister City organization for \$100,000; and, to discuss a proposed Beverly Hills delegation to Shanghai. This item also requests direction from City Council concerning reimbursement of international travel by City Council Members.

DISCUSSION

1. Request of Beverly Hills Global Partners

On December 18, 2007, the City Council supported the development of a new Sister City organization that would be an independent community non-profit agency. This new organization has been named Beverly Hills Global Partners (BHPG).

This new organization will serve as an umbrella organization for all current and future Sister City programs. Within its structure are opportunities for leadership on existing Sister City relationships and development of the two new City supported relationships with Pudong, China and Herzliya, Israel.

- Is there a need for these services in Beverly Hills?
- Is there a legally incorporated entity in place to receive funding?

The City Attorney's Office has advised that at minimum there should be a legal entity in place before the City can contract with BHGP--otherwise there is no entity to hold responsible for carrying through the terms of the contract. It does not matter as to what form of entity BHGP incorporates - non-profit or a regular corporation. They need to provide the City with the articles of incorporation and the CA Office also recommends that the City receive a copy of the corporate bylaws, certified by the California Secretary of State

- How will BHGP manage any perceived overlap with the Conference and Visitors Bureau that is already under contract and providing visitor marketing representation in Beijing?
- Has BHGP's board of directors taken formal action in support of the funding request and business plan?
- What strategic process did BHGP use to identify its need for this funding? For example, did it undertake a strategic planning process? Or, evaluate other funding needs relating to its missions and goals with its other Sister City relationships – such as Herzliya?
- Does BHGP's application for funding demonstrate that it has the legal, management, administrative and fiscal structure and policies in place to be able to manage a contract utilizing City funding?
- Does the application clearly identify the project outcomes and deliverables?
- Are there clear performance measures and benchmarks in place to ensure the City receives value for money and that quantifiable services are provided?
- How will BHGP hire, pay, manage and monitor an employee or contractor in China?

If the City approves funding for BHGP, staff would recommend that Council devote sufficient time and staff resources towards developing a clear agreement for services with BHGP that articulates the strategic goals of the program, the services and programs to be provided, the deliverables of the program, the performance measures and benchmarks, the reporting mechanisms and financial audit requirements.

Licensing Considerations: The BHGP initial licensing proposal was considered by the City Council Chamber of Commerce Committee (for Licensing) on July 16, 2008.

The Committee recommended that BHGP should submit its proposal to Bradford Licensing Associates (the City's licensing agent) for review in the same way other potential licensees would be required to do.

Bradford's role as the City's Licensing Agent is to fully evaluate all Shield licensing proposals against a number of factors including: the brand and merchandising guidelines to ensure brand compatibility in the marketing place; business viability and the experience of the applicant in developing the proposed products in other markets; the royalty revenue potential to the City (revenue goes to the City's general fund); in

conjunction with City attorney, reviews availability of the Trademark in requested markets and in a requested categories – e.g. clothing or giftware. Together Bradford, the Chamber of Commerce (who is under contract to manage the Shield Licensing Program) and the City determine the revenue and brand advantages of the proposal against the legal and registration costs to determine if granting the license make good business sense.

As recently as September 17, 2008, BHGP board member Howard Szabo indicated that BHGP was still working on its licensing proposals and is currently reviewing a number of options. Once BHGP has developed its approach, members have indicated they will work with the City and/or Bradford Licensing as applicable.

As such, staff does not recommend that Council take any action regarding BHGP's licensing concepts at this meeting. When BHGP is ready to present its concepts, staff would recommend that the Council Committee that oversees licensing (Mayor Brucker and Council Member Briskman) continues to work with BHGP on this issue, with Bradford's involvement as applicable.

2. Approval and Reimbursement of International Travel Expenses by City Council Members

As the City Council is aware, the California Legislature adopted AB 1234, effective January 1, 2006, which requires every local public agency to adopt a written policy regarding the reimbursement of public officials' expenses and the circumstances under which expenses will be reimbursed. In compliance with AB 1234, the City Council adopted Resolution No. 06-R-12053, which sets forth its written policy regarding the reimbursement of public officials' expenses. A copy of the resolution is attached.

In general the City's AB 1234 policy allows for the reimbursement of expenditures when incurred by a City Council Member in connection with certain activities. Those activities are set forth in Section 3 of the policy and include: communication with representatives of regional, state and national government on City policy positions; attending educational seminars designed to improve public officials' skill, knowledge and information levels; participating in regional, state and national organizations whose activities benefit or affect the City's interests; and implementing a city-initiated strategy for attracting or retaining businesses to the City. The complete list of activities is set forth in Section 3. The list, however, does not include any activities that have an international emphasis.

In conjunction with and in furtherance of the activities of Beverly Hills Global Partnership, there may be activities which Council Members would like to participate in but they take place in an international location. The current City AB 1234 policy did not envision international activities taking place. In order to allow City Council activities on an international level and for which a City Council Member would be reimbursed for his or her expenses, there are two issues that should be discussed.

First, the City Council should discuss whether it is appropriate to include international activity, such as activities in furtherance of current or future sister city relationships and/or international activities in furtherance of promoting the City, in terms of tourism and international visitors or luring businesses to locate in the City and/or business retention, in the City AB 1234 policy. If the City Council determines that this is appropriate, we can amend the policy to include this type of activity as one of the activities for which expenses incurred by City Council Members will be reimbursed.

The second item for discussion is the reimbursement of expenses for international activities. Currently, the City AB 1234 policy provides that the reimbursement of any

international travel shall require prior approval by the City Council. Accordingly, if a City Council member desires that its international travel and related expenses be reimbursed, the item is placed on the agenda for discussion and the City Council determines whether or not to approve such expenses. This must occur in advance of the travel. Staff recommends that this provision remain in the policy.

The City Council, however, may want to discuss whether it would be appropriate to make revisions to the current travel parameters if international activities are approved as an activity for which reimbursement is provided. These amendments would pertain solely to international travel in recognition that international travel sometimes requires a traveler to take precautionary measures in order to secure his or her safety. For example, when traveling internationally it may be appropriate to hire a driver to ensure the safety and security of the traveling parties. Also, the methodology of determining what is reasonable lodging in the United States (star scale on travel websites) may not be reasonable when looking for lodging in international locations again to ensure the safety and the security of the traveling parties. Also, it is likely that when traveling internationally, the City would meet with foreign dignitaries and business people, and this may entail the City paying for dinner and/or entertainment. If so, the policy would have to be adjusted to include these provisions.

FISCAL IMPACT

\$100,000 is available in the General Fund, Fund Balance. An Agenda Report is on the City Council Formal Session, New and Continuing Business for September 2, 2008 to appropriate up to \$100,000.

RECOMMENDATIONS

1. Staff recommends that the City Council review the BHGP proposal for a grant of \$100,000 and provide staff with direction.
2. Staff also recommends that the City Council provide direction regarding the issue of reimbursement for international travel by City Council Members.
3. Staff recommends that Council take no action regarding BHGP's licensing concepts at this meeting. When BHGP is ready to present its concepts, staff would recommend that that the Council Committee that oversees licensing continues to work with BHGP on this issue, with Bradford's involvement as applicable.

Approved by:



Alison Maxwell, Director Economic
Development and Marketing

BEVERLY HILLS GLOBAL PARTNERS INC

Pudong, Shanghai PRC and Herzliya, Israel Objectives

I. Objectives

1. Tourism: closer cooperation with Chinese city travel bureau to encourage tourism to include Beverly Hills
2. Commercial:
 - a. Couture (Rodeo Drive)
 - b.. sports and other trendier fashion (S. Beverly Drive)
 - c.. other branded, high end retail business
3. Corporate Office (take advantage of Chinese companies listing on US exchanges and needing a US corporate office)
4. Investment opportunities and location of investment companies as Chinese companies are investing in US
5. Cultural exchanges
6. School opportunity to recruit Mandarin teachers to teach at Beverly Hills and school exchange opportunities with International School of Shanghai as well as Shanghai Public School
7. Assist BH businesses looking to expand in China with enhanced government and business relations with our Chinese Sister City

II. What we offer our sister city

1. Bi-directional tourism
2. Offering Mandarin at the high school (initially) and exchanging students to the sister city
3. Economic opportunity for sister city high end retail businesses; (make it much easier for sister city businesses to locate in the US)
4. Cultural exchanges
5. Cross opportunities for introduction of our entertainment businesses located in Beverly Hills.

BEVERLY HILLS GLOBAL PARTNERS
(A Sister City Organization)

Proposal to the Beverly Hills City Council May 14, 2008 regarding Pudong New Area, Shanghai, China

Overview

Over 30 million Chinese tourists traveled outside of China last year with the majority of those Chinese tourists visiting Europe and Australia. Only 600,000 visited the USA. This was mainly due to difficulties and tough application requirements in order to acquire a tourist visa to travel to the United States. Recognizing the passing opportunity, this year our government signed an agreement with the Chinese government to allow for the approval of more tourist visas to our country and paving the way for millions of Chinese tourists to visit our country. Additionally, the Chinese tourists are ranked number one in terms of consumer spending and the United States is one of their most preferred destination. As the iconic city of the United States, Beverly Hills needs to take an active role to attract trade, tourism and exchanges to our City. Beverly Hills Global Partners ("BHGP") was established, in part, to fulfill that role and would like to put forth the following initiatives and programs to achieve that goal.

BHGP would like to work directly with the City Council of Beverly Hills to establish a trade and tourism presence in Shanghai in order to promote the brand of Beverly Hills and attract businesses and tourism to the City.

We are requesting that the City Council grant BHGP licensing rights to distribute Beverly Hills branded merchandise in China, including Shanghai and the Pudong New Area. The official merchandise will be used to further the brand of the City of Beverly Hills and promote Beverly Hills as the premiere tourism, cultural, and business destination for Chinese tourists.

BHGP will initiate a plan to distribute Beverly Hills merchandise through a professional retail licensing firm in China. As part of the distribution of the merchandise through select retailers, we will also include travel brochures, promotional materials, local business advertisements and additional information inviting tourists to our City. Furthermore, BHGP will hire a representative to be located in Pudong and Shanghai to manage the affairs of the merchandise sales and act as full time ambassador on behalf of the City of Beverly Hills.

Initial discussions with Mr. Richard Rosenzweig, Executive Vice President and Director of Playboy Enterprises, Inc, Chairman of Alta Loma Entertainment, President of the Playboy Jazz Festival, and a leader of BHGP have resulted in Mr. Rosenzweig advising us that Playboy has extensive licensing operations in China and would be interested in serving as our exclusive sub-licensee to arrange for the distribution of our licensed merchandise. Playboy merchandise is ranked the number one brand in China for men's business attire and shoes. With over 400 stores across China and an established licensing practice, the distribution of the Beverly Hills merchandise would be successfully carried out through their network.

BEVERLY HILLS GLOBAL PARTNERS
(A Sister City Organization)

Since BHGP is being established as a 501(c-3) non profit organization, proceeds from the sales of Beverly Hills merchandise would be committed to the establishment and operation of a full tourism and trade office. This would also include the hiring of a full time representative for the City of Beverly Hills with the sole purpose of promoting the interests of the City.

We are confident that we can quickly find someone quite capable who is residing in Shanghai to work for BHGP full time with the following duties: (i) promote Beverly Hills as a first destination for Chinese tourists by working with both government and private tourist agencies; (ii) recruit high-end, branded, retail businesses to locate in Beverly Hills; (iii) entice Chinese companies to establish HQ offices in Beverly Hills; (iv) promote and coordinate educational and cultural exchanges; (v) supervise our BH merchandise sale program. The cost to support this effort for the first year is \$100,000. Any funds raised or generated by BHGP in excess of those funds needed to fund our China operations would be available for our other sister city relationships.

To initiate the plan, we would request the City of Beverly Hills to allocate funds for only the first year of operation. It is our objective to have the Beverly Hills Shanghai-Pudong New Area Trade and Tourism Office fully self sufficient in the second year from the sale proceeds of the merchandise.

BHGP would pay the City of Beverly Hills a royalty consisting of a percentage of the gross sales. This royalty would be comparable to other royalties paid for branded merchandise that does not have an established market.

In conclusion, BHGP believes that this plan will successfully attract trade and tourism to our City and further brand the City of Beverly Hills as the premiere destination in the United States. We ask for your support in this endeavor and are committed to the future developments of the City.

Bruce A. Cole
Co-Chairman
Beverly Hills Global Partners

Howard Szabo
Co-Chairman
Beverly Hills Global Partners

Richard Rosenzweig
Ambassador
Beverly Hills Global Partners

BEVERLY HILLS SISTER CITY COMMITTEE
(Beverly Hills Global Partner Inc.)

Proposal for Full-time BHSCC Representative in Pudong, July 30, 2007

International Sister City - Pudong New Area, Shanghai, China

Position Overview

The proposed full-time employee in Pudong will be responsible for coordination of delegations for BHSCC, follow-up and implement our objectives in promoting friendship, tourism, retail, establishment of corporate headquarters, and further cultural and educational exchanges. We have already initiated sister city discussions with the Pudong government foreign affairs office, enterprises for program sponsorship and other organizations for cultural and educational exchange. The initial funding of US\$100,000 is crucial to immediately staff a full time employee in order to move these programs forward. According to the time line in the business plan, BHSCC will be able to achieve self-funding status from merchandising in the second operation year (see business plan for more details).

Responsibilities of the BHSCC Representative

- Set up local operation and implement strategies to promote Beverly Hills
- Establish and maintain good relations with local governments, businesses, cultural and educational organizations
- Develop partnerships with local entities to attract enterprises to Beverly Hills
- Access market opportunities to develop additional BHSCC programs
- Facilitate marketing and promotion of the City of Beverly Hills
- Research and assess business information relevant to sister cities programs

To achieve our self-funding financial status, BHSCC is also to hire a full-time employee specialized in licensing management at a long-term perspective.

Proposed Budget for First Year

Items	Amount
Salary for full-time representative	\$60,000
Traveling	\$10,000
Office Space (Jin Mao Tower)	\$10,000
Miscellaneous Marketing Expenses	\$20,000
Total	\$100,000

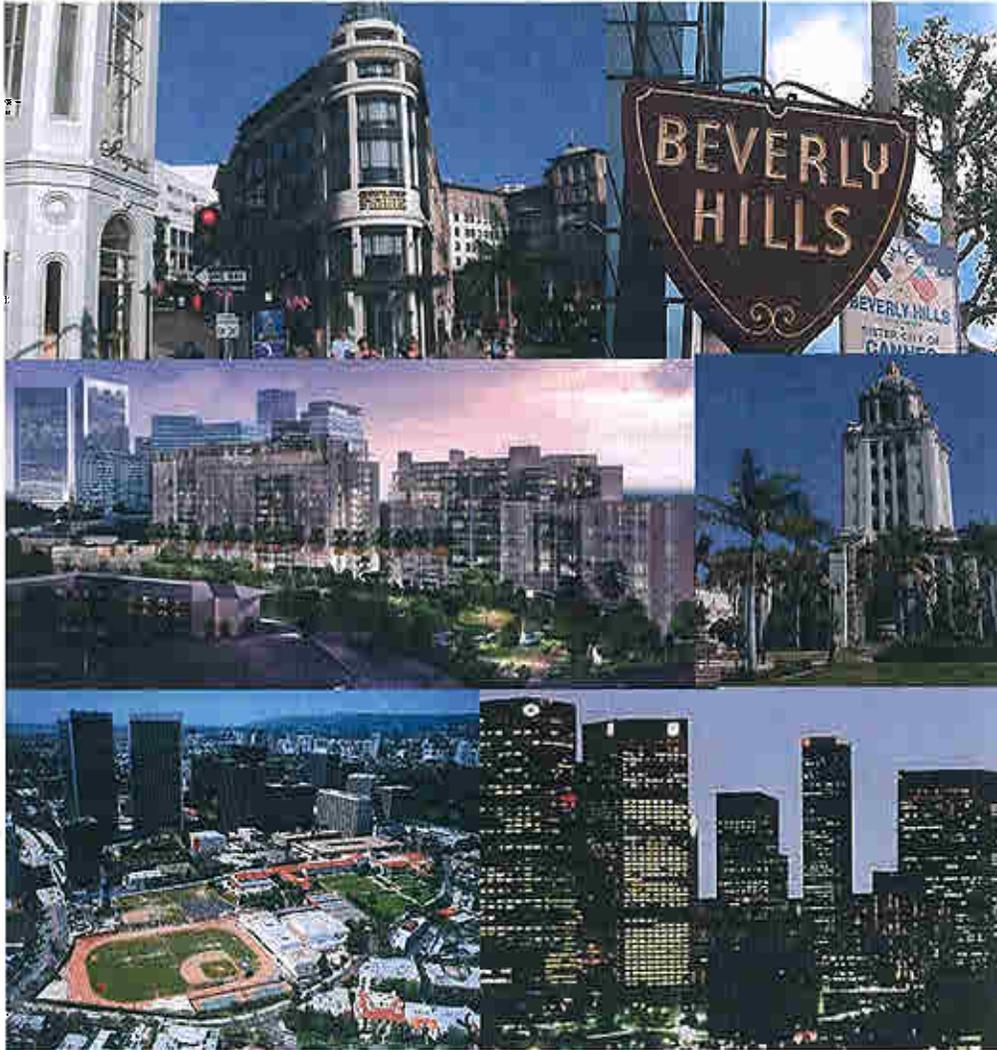
Self-funding in Second Year

In the second year, when the merchandising plan for BHSCC has been implemented, BHSCC will recruit a second staff member responsible for the distribution and licensing of Beverly Hills Merchandise.

Since BHGP is established as a 501(c-3) non profit organization with the sole purpose to promote the City of Beverly Hills, proceeds from the sale of Beverly Hills merchandise would be committed to the establishment and operation of a full tourism and trade office. This would also cover second year's cost and expenses of the full time representative for the City of Beverly Hills.

Branding Beverly Hills to Sister Cities

Business Plan for Beverly Hill Sister City Committee



By Beverly Hills Global Partners Inc.
Revised August 5, 2008

Table of Contents

Executive Summary	3
Business Concept	3
Business Potentials in Tourism, Retail and Corporate Office Purchasing/Leasing	3
Management Team	5
Required Initial Funding for Operations Based in Pudong and its Use	5
Part One: Beverly Hills Committee Profile	6
Committee Responsibilities and its Management Structure	6
Committee Missions and Tasks	6
Summary of Activity to Date	7
Competencies	7
Implementation Strategies	8
Benefits to Beverly Hills Community	8
Keys to Success in BHSCC operations in merchandising	8
Location and Facilities	9
Cooperation Partners Introduction	9
Part Two: Operations and Finance	11
Responsibilities of personnel in Shanghai Office	11
Risks and Contingencies	11
Financial Projections	12
Appendices	13
I. BHSCC Members List	13
II. Proposal to the Beverly Hills City Council May 14, 2008	17
III. Merchandising in China for Beverly Hills Brand	20
Industry Analysis	20
Market Analysis	22
Competition Position	23
Marketing and Sales	25
IV. Balance Sheet	27

Executive Summary

Business Concept

As Beverly Hills seeks to strengthen its branding to attract more tourism, commercial and business opportunities and cultural/educational exchanges, Beverly Hills Global Partners Inc., a not for profit Corporation, that functions as the Beverly Hills Sister City Committee (Herein after referred as "BHSCC") is established to act as a proactive ambassador and an effective hub to market and promote Beverly Hills, in its sister cities including the Pudong district of Shanghai, , Herzliya, Cannes and Acapulco. BHSCC will leverage the luxury, high-end brand image of Beverly Hills to build profound bi-lateral commercial connections and transactions beneficial for Beverly Hills and its sister cities in tourism, hotel, couture retail, corporate real estate, and entertainment events, and to promote cultural and educational exchanges, as well as promote friendship and better understanding with its Sister Cities..

BHSCC seeks to launch a merchandising plan to highlight the brand of Beverly Hills in China and to replicate this business model to other sister cities, if successful. The plan creatively utilizes retail presence as a multi-purpose media to reach out to target consumers. Ideas in the plan embody retail of Beverly Hills brand products, kiosks in store with BH hotels and restaurants promotion materials and advertorials on major websites or publications of Beverly Hills traveling and entertainment articles from insiders' views. Partnership with high-end tourism agencies, whose consumers are mainly wealthy business people, is another power engine to bring back more business growth in hotels, retails. The third tool is promoting cultural and educational events among sister cities such as Beverly Hills international documentary movie festival, Jazz Music Festival, and high school students exchange programs. BHSCC also intends to encourage Beverly Hills residents to tour China and conduct business in China.

Business Potentials in Tourism, Retail and Corporate Office Purchasing/Leasing

BHSCC will tailor a fit business focus for each sister city to promote Beverly Hills opportunities based upon its commercial strength and business potentials.

Retail Potentials

Cannes and Shanghai will be the focus for BHSCC to develop trade and business in retail for their competitive advantages. Cannes is preeminent for its high-end retail heritage. Shanghai is also a traditional commercial sector in China. The retail potential in China is tremendous: The overall revenue of wholesale and retail in China from January to May in 2008 is \$511 billion, soared by 20% compared to that in 2007.¹

¹ Source: National Bureau of Statistics of China

Main Tourism Statistics for sister cities' regions

All sister cities have large market potential and steady growth in tourists attraction to Beverly Hills as the statistics for those regions.

China's outbound market: In 2007, outbound tourist numbers reached 40.95 million, up 18.6%.² According to TNS reports in 2008, 20% people with plans to travel abroad within next 12 months will select U.S. as their destination which is listed the fifth most popular. Those attractive cities in the U.S. include New York (72%), Los Angeles (47%), San Francisco⁴¹, Las Vegas (35%) and Washington D.C. (30%)³ As per the 2007 China outbound travels report done by A. C. Nielson, average outbound expenditure reached \$3000/per person. Chinese traveling to Europe spent an average of \$5347, which makes China tourists Number 1 in tourist expenditures.⁴

Outbound tourism statistics from regions of other sister cities⁵: Visitation from Western Europe, accounted for almost 46 percent of overseas arrivals, and was up 13 percent in 2007 with 10.9 million visitors. Visitation from Asia increased four percent in 2007 and accounted for 27 percent of overseas arrivals. Growth was driven by record visitation from both India and the People's Republic of China, which increased 39 percent and 24 percent, respectively for the year. Middle Eastern arrivals were up 12 percent in 2007. Israel accounted for 51 percent of arrivals from the Middle East and was up 10 percent for the year.

Establishing Corporate Offices in Beverly Hills

BHSCC seeks to attract more foreign entities from sister cities to establish offices in Beverly Hills. Target industries will mainly focused on high-end retail, electronics, professional services and entertainment. As China continues to open up and reform its economic and financial activities and seek alignment with global economy; in the foreseeable future, more Chinese enterprises will seek to expand operations beyond their shores so as to grow the business and to expand their link with the international markets. Such a situation will be conducive to the development of attracting more corporate offices in Beverly Hills and China will be the initial targeting market.

A survey done by CCPIT covered 220 CCPIT member companies and CCPIT sub-charters in 11 provincial and city level. The main findings of the survey:

- 19% of companies surveyed have had investment abroad, over 57% of these have invested in Asia, with 23% invested in the United States;
- Setting up trade representative or sales office is the most common form of ODI at 90%;
- Trade or sales office staff average 2.8 personnel;
- 83% of companies surveyed intent to invest abroad within the next 2 to 3 years, 37% intent to invest abroad within the next 12 months;
- 92% of the companies surveyed intent to purchase rather than rent office space;
- 63% of the companies surveyed intent to spend up to RMB 4 million for office space;
- 78% of the companies surveyed intend to bring family along if the destination is the United States;
- 52% intent to invest in the U.S. and 74% intent to invest in California and 62% prefer Southern California;

² Source: National Tourism Bureau

³ Source: http://travel.gznet.com/news/news_yj/200806/t20080616_645283.html

⁴ Source: <http://business.sohu.com/20071029/n252929606.shtml>

⁵ Source: <http://www.commerce.gov>

- Top three factors for choosing California: Quality of life in California, access to key markets and technologies & innovations.

Although more Israeli companies are acquisitions targets than are buyers, there are corporate giants in the Israeli economy that are considered global leaders in their fields, around which extensive and promising industries have been concentrated. For these companies, the home turf is too small, and therefore, they purchase and invest around the world. Herzliya hence is another concentration for attracting corporate real estate purchase or leasing at Beverly Hills.

Management Team

BHSCC in Los Angeles and its proposed Employee at Pudong Office

Required Initial Funding for Operations Based in Pudong and its Use

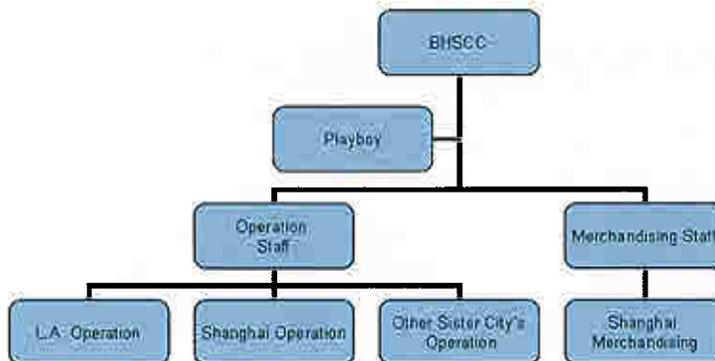
Items	Amount	Time to launch
Staffing of a full-time representative in Shanghai	\$45,000	Before September 2008
Traveling	\$25,000	October 2008
Office Leasing (100 sqm in Pudong, Shanghai)	\$20,000	October 2008
Miscellaneous Expense	\$10,000	October 2008
Total	100,000	

Part One: Beverly Hills Committee Profile

Committee Responsibilities and its Management Structure

BHSSC (Please see as Appendices: I Members List, Page 12) was established to form strategic partnerships with specific international cities to develop and promote cooperative business relationships in tourism, high end retail, entertainment, and corporate office location; promote art and cultural exchange both as an economic development vehicle and as a mechanism for developing dialogue between communities; promote educational opportunities and exchanges through development of relationships with the high school systems; foster inter-governmental dialogue to provide leadership and develop best practices amongst partner cities. The BHSSC organization would provide yet another vehicle, such as licensing, to promote the Beverly Hills brand.

The management in operation will be Beverly Hills Sister City Committee and its operation staff in Shanghai. The execution party of merchandising in China will be Playboy Inc. Hong Kong Licensee management team and the merchandising staff in Shanghai.



Committee Missions and Tasks

1. Promote Beverly Hills' high-end brand image in sister cities to benefit Beverly Hills community in tourism, high-end retail, cultural, educational exchanges.
2. Foster government dialogues and connections to explore more cooperation opportunities.
3. Launch products in the brand of Beverly Hills with "green concept" in China to achieve self-funding status. Replicate successful business models to other sister cities at the long-run perspective.
4. Reach out to culture organizations to promote Beverly Hills culture and entertainment events such as movie festivals and jazz music festivals.
5. Strengthen the bonding in educational exchanges among high schools located in sister cities.
6. Explore every other business potential mutually beneficial for both Beverly Hills and its sister cities in tourism, expositions, headquarter real estate, and educational and cultural exchanges.

Summary of Activity to Date

BHSCC has achieved progress in the following aspects to date:

1. Set up the Sister City Committee
2. Established Sister City status with Herzliya, Israel
3. Initiated the conference between Beverly Hills City and Pudong Shanghai in Oct. 2008 to promote sister city partnership. (Please see the detailed proposal in appendices II, Page 16)
4. Drafted business plan incorporating merchandising plan in China (Please see the plan in appendices III, Page 19)
5. Reached out to entities and organizations in Israel, France and China to promote Beverly Hills Documentary Film Festival
6. Contacted high-end tourism agencies in all sister cities on potential partnership
7. ⁶Developed with Playboy Licensing Group a sublicensing concept
8. Planed further meetings with relevant parties in merchandising details
9. Arranged Beverly Hills Delegation to travel to Pudong, China for meetings with Government and private companies from Oct.31 to November 3, including Mayor, members of BHSSC board, and CVB representation
10. Proposed office leasing or purchasing at Beverly Hills to some entities in sister cities. A leading couture Chinese brand has been introduced and is planning to debut a retail store in the near future.
11. Spoken with selected high schools in Herzliya and Pudong/Shanghai on educational exchange programs.

Competencies

1. Protagonist: BHSCC will take initiatives in exploring and encouraging any possible business potential mutually beneficial for Beverly Hills and its sister cities.
2. Professionalism: BHSCC is to hire full-time staff to operate in business development, merchandising and cultural, educational exchanges for all sister cities.
3. Profound local networks: BHSCC members and its partners have set up profound local networks with traceable achievements in local business and government relations based on master understanding of local markets and culture.
4. Authority by Beverly Hills City and support from sister cities' governments
5. Playboy's retail presence and distribution network in Shanghai, China and in other sister cities.
6. Operational excellence to be achieved by staffing a full-time employee in Shanghai China for bilateral business and culture promotions between Beverly Hills and its sister cities.

⁶ To the extent that the licensing of the Beverly Hills shield is involved or any logo or name in which the City has any existing contractual obligations, we will work with such entities at the direction of the City.

Implementation Strategies

Self-Funding Strategies:

1. Retail Presence with licensed Beverly Hills Brand products: to be determined in consultation with the City and its sub-licensees.
2. Leverage mature distribution brand name and network to achieve self-funding, such as partner with Playboy in merchandising.
3. Membership Sales of the Business Club. The membership will be categorized as Golden membership with \$20000 annual fee and ordinary membership with \$5000 annual fee. Golden Club members will enjoy internal business newsletters with investment information from all sister cities; free advertorials on major partnered local media; Discount media package on major sister city local media such as Beverly Hills Courier; Free initial investment consultancy; Display brochure in partnered hotels and restaurants in all sister cities. Free invitation to Beverly Hills Movie Festivals and other cultural events held in sister cities. The ordinary membership will only enjoy the last two benefits.

Potential Business Attraction Strategies:

4. Market and promotion materials, displayed on a kiosk in retail stores, of cultural or educational events at retail stores: Documentary Beverly Hills Documentary Film Festival, Jazz music Festival
5. Strengthen Beverly Hills brand and its awareness by publicizing insider tips for traveling at Beverly Hills on major BBS and on famous tourism websites, for instance, partner with Xie Cheng, the public company listed on NASDAQ and the largest commercial and personal tourism company with unique internet business mode.

Cultural and Educational Exchange Promotion Strategies:

6. Initiate the cultural and educational exchange program through contacting local cultural organizations and high schools.
7. Advertorials with contents related to Beverly Hills on major publications such as City Weekend, a free English and Chinese publication targeting at middle-class in China.

Benefits to Beverly Hills Community

1. Increase the brand awareness of Beverly Hills among sister cities and their clusters.
2. Contribute to new economic growth in real estate, hotel business, retail and so forth.
3. Strengthen connections and interactions in cultural and educational exchanges

Keys to Success in BHSCC operations in merchandising

1. Trademark registration

It is vital to register a lawful trademark in China to utilize as a media to showcase high-end, luxury brand image of Beverly Hills, since Chinese consumers with middle to high income are inclined to accept brands with clear and unique brand image as well as reliable products.

2. Brand awareness

Not all sister cities have the full awareness of Beverly Hills City. For instance, Chinese are familiar with Hollywood by movies and TV but rarely know about Beverly Hills. Brand awareness is the foundation to achieve operational excellence for this business plan.

3. Operational Excellence

Although BHSCC is in discussions with Playboy to merchandise in China, one full-time employee in charge of daily operation and a reliable and effective merchandising partner in branding and product development are essential to follow through in executing the business objectives and guarantee operational excellence and business achievements in China's high growth and intensively competitive market.

Location and Facilities

BHSCC office sites

Shanghai Office: Jin Mao Tower

Other sister cities such as Herzliya

Cooperation Partners Introduction

"The Playboy Licensing Group" is a division of Playboy Enterprises. The Licensing segment licenses the Playboy name, the Rabbit Head design and other images, trademarks, and artwork, as well as the Spice name and trademarks for various men's and women's apparel, men's underwear and women's lingerie, accessories, collectibles, cigars, watches, jewelry, fragrances, small leather goods, stationery, music, eyewear, barware, and home fashions.

The Company's trademarks and copyrights are critical to the success and potential growth of all of its businesses. Its trademarks, which are renewable periodically and which can be renewed indefinitely, include Playboy, the Rabbit Head Design, Playmate and Spice. The Company also owns numerous domain names related to its online business. In 2005, Playboy moved into the top 50 World's largest licensors.

Currently the Licensing division accounts for about 10% of the revenue and 12% profit of the Playboy Enterprises." ⁷

⁷ Cited from Wikipedia

Branding Beverly Hills City to Sister Cities, Business Plan by Beverly Hills Global Partners Inc.

In China, due to government strict restrictions in media, Playboy repositioned its brand as “leisure and sporty” in merchandising. The national distribution network of 400 stores brings Playboy stable retail growth and the No.1 sporty tee brand name in China.

Part Two: Operations and Finance

Responsibilities of personnel in Shanghai Office

Trade Representative

- Set up local operation strategies of promoting Beverly Hills
- Establish and maintain good relations with local governments and cultural or educational organizations
- Collect business information and make news clipping from all sister cities
- Evaluate and partner with local entities to bring business to Beverly Hills City
- Report timely to BHSCC at Los Angeles
- Travel to other sister cities to facilitate events promotion and public relations

Merchandising Representative

- Establish merchandising strategies to meet sales target and achieve continuous growth potential of licensed products
- Draft and launching merchandising plans
- Overview product development, trade show and retails
- Maintain good relations among licensees
- Supervise brand management and legal affairs related to merchandising
- Report timely to BHSCC at Los Angeles

Risks and Contingencies

The difference caused by local laws and local practice will be the major hurdle in operation. This requires extensive knowledge, experience and profound government relations to guarantee the output of this business plan.

In terms of merchandising, since China is continuously open and loosening its market regulation constraints, the most foreseeable risk will be increased competition for foreign brands both from international brands and local brands. Despite increased numbers of competitors, the extent of competition will be upgraded as well. For example, more brands are adopting proactive branding strategy which may cease licensing but establish its own joint venture or wholly-owned subsidiaries to achieve aggressive sales growth and to grab more market shares. Under such circumstances, close and harmony cooperation between licensors and licensees play an important role in retaining competitive advantages.

Financial Projections

The business plan suggests a passive licensing strategy to leverage Playboy's licensing management team in merchandising, distribution and retails. BHSCC is locating an operation officer and a merchandising representative in Shanghai to coordinate and cooperate with licensees and in other cultural or educational promotion events. In summary, the income will mainly come from license fee, membership fee and website advertisement; the expenditure will be caused by staffing, daily office operation and traveling. The detailed financial budgeting is shown as the following. (Please see the balance sheet in appendices IV, page 26)

BHSCC		Year					
Year	0	1	2	3	4	5	
Calendar Date	Sep-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13	
INCOME STATEMENT							
Estimation of Sales		start	annual growth				
Average sales per store per year	\$400,000	10%		\$400,000	\$440,000	\$484,000	\$532,400
Licensee stores	10	200%	10	30	90	270	
membership annual fee per entity	\$1,000	10%	\$1,000	\$1,100	\$1,210	\$1,331	
Number of Memberships Sold	30	5%	30	32	33	35	
licensing income	20%	7%	\$56,000	\$184,200	\$369,840	\$2,012,472	
Membership Revenue			\$30,000	\$34,650	\$40,021	\$46,724	
website ad income and other income	\$600	10%					
TOTAL			\$86,000	\$1,198,850	\$2,420,701	\$2,099,196	
Cost of Goods Sold							
RENT	100,000	18%	\$100,000	\$110,000	\$121,000	\$133,100	\$146,410
Utilities							
Electricity	Fixed	110	110	110	110	110	
Telephone+internet	Fixed	500	500	600	500	500	
TOTAL COGS			\$100,500	\$110,600	\$121,600	\$133,600	\$146,910
Selling, General and Administrative Expenses (SG&A)							
Salary of operation staff	\$45,000	10%	\$45,000	\$49,500	\$54,450	\$59,895	\$65,885
Salary: merchandising	\$75,000	10%		\$75,000	\$82,500	\$90,750	\$99,825
staff bonus	licensing	10%		\$5,600	\$18,480	\$60,984	\$201,247
computer and phones	\$10,000	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0
travel	\$20,000	10%	\$25,000	\$56,000	\$65,100	\$80,600	\$95,600
insurance	\$20,000	10%	\$20,000	\$22,000	\$24,200	\$26,630	\$29,293
all other unexpected fees	\$10,000	10%	\$10,000	\$11,000	\$12,100	\$13,310	\$14,641
TOTAL SG&A			\$105,000	\$218,100	\$246,730	\$312,059	\$477,430
Depreciation							
Computers	5 years straight line		0.200	0.200	0.200	0.200	0.200
Merchandise			\$2,000	\$3,000	\$2,000	\$3,000	\$2,000
EBIT			\$-19,500	\$-23,140	\$-100,200	\$-202,202	\$-1,432,856
Interest							
interest rate	Assumption		0.07	0.07	0.07	0.07	0.07
Interest payment			\$0	\$0	\$0	\$0	\$0
Pre-Tax Income			\$-19,500	\$-23,140	\$-100,200	\$-202,202	\$-1,432,856
Tax Rate							
Tax Rate	20%		20%	0%	20%	0%	20%
Pre-Tax Income			(\$39,000)	(\$46,100)	(\$100,200)	\$-202,202	\$-1,432,856
Accumulated Losses			(\$39,000)	(\$46,100)	(\$601,300)	(\$898,000)	\$0
Taxable income			0	0	0	0	\$1,432,856
Tax paid			\$0	\$0	\$0	\$0	\$286,571
Net Income			\$-19,500	\$-23,140	\$-100,200	\$-202,202	\$-1,146,285

Appendices

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II. Proposal to the Beverly Hills City Council May 14, 2008

International Sister City - Pudong New Area, Shanghai, China

Overview

Over 30 million Chinese tourists traveled outside China last year with the majority of those Chinese tourists visiting Europe and Australia. Only 600,000 visited the USA. This was mainly due to difficulties and tough application requirements in order to acquire a tourist visa to travel to the United States. Recognizing the passing opportunity, this year our government signed an agreement with the Chinese government to allow for the approval of more tourist visas to our country and paving the way for millions of Chinese tourist to visit our country. Additionally, the Chinese tourists are ranked number one in terms of consumer spending and the United States is one of their most preferred destination. As the iconic city of the United States, Beverly Hills needs to take an active role to attract trade, tourism and exchanges to our City. Beverly Hills Global Partners ("BHGP") was established, in part, to fulfill that role and would like to put forth the following initiatives and programs to achieve that goal.

Beverly Hills Trade & Tourism Office in Pudong New Area, Shanghai, China

The BHGP would like to work directly with the City Council of Beverly Hills to establish a trade and tourism presence in Shanghai, including the Pudong New Area in order to promote the brand of Beverly Hills and attract businesses and tourism to the City.

We are requesting that the City Council grant the Sister City CBHGP licensing rights to distribute Beverly Hills branded merchandise in Shanghai, including the Pudong New Area. The official merchandise will be used to further the brand of the City of Beverly Hills and promote Beverly Hills as the premiere tourism, cultural, and business destination for Chinese tourists.

BHGP will initiate a plan to distribute Beverly Hills merchandise through a professional retail licensing firm in China. As part of the distribution of the merchandise through select retailers, we will also include travel brochures, promotional materials, local business advertisements and additional information inviting tourists to our City. Furthermore, BHGP will hire a representative in Pudong and Shanghai to manage the affairs of the merchandise sales and act as full time ambassador on behalf of the City of Beverly Hills.

Initial discussions with Mr. Richard Rosenzweig, Executive Vice President and Director of Playboy Enterprises, Inc., Chairman of Alta Loma Entertainment, President of the Playboy Jazz Festival, and a leader of BHGP has resulted in Mr. Rosenzweig advising us that Playboy has extensive licensing operations in China and would consider being our exclusive sub-licensee to arrange for the distribution of our licensed merchandise. Playboy merchandise is ranked the number one brand in China for men's business attire and shoes. With over 400 stores across China and an established licensing practice, the distribution of the Beverly Hills merchandise would be

successfully carried out through their network.

Since BHGP is established as a 501(c-3) non profit organization with the sole purpose to promote the City of Beverly Hills, proceeds from the sale of Beverly Hills merchandise would be committed to the establishment and operation of a full tourism and trade office. This would also include the hiring of a full time representative for the City of Beverly Hills with the sole purpose of promoting the interests of the City.

I am confident that we can quickly find someone quite capable who is residing in Shanghai to work for BHGP full time with the following duties: (i) promote Beverly Hills as a first destination for Chinese tourists by working with both government and private tourist agencies; (ii) recruit high-end, branded, retail businesses to locate in Beverly Hills; (iii) entice Chinese companies to establish HQ offices in Beverly Hills; (iv) promote and coordinate educational and cultural exchanges; (v) supervise our BH merchandise sale program. The cost to support this effort for the first year is \$100,000.

To initiate the plan, we would request the City of Beverly Hills to allocate funds for only the first year of operation. It is our objective to have the Beverly Hills Shanghai-Pudong New Area Trade and Tourism Office fully self efficient in the second year from the sale proceeds of the merchandise.

BHGP would pay the City of Beverly Hills a royalty consisting of a percentage of the gross sales. This royalty would be comparable to other royalties paid for branded merchandise that does not have an established market.

In conclusion, BHGP believes that this plan will successfully attract trade and tourism to our City and further brand the City of Beverly Hills as the premiere destination in the United States. We ask for your support in this endeavor and are committed to the future developments of the City.

Bruce A. Cole
Co-Chairman
Beverly Hills Global Partners

Howard Szabo
Co-Chairman
Beverly Hills Global Partners

Richard Rosenzweig
Ambassador
Beverly Hills Global Partners

The proposed full-time employee in Pudong is to coordinate our delegation, follow-up and

implement our objectives in promoting friendship, tourism, retail, corporate headquarters import, cultural and educational exchanges. Since we have started reaching out to Pudong government for sister city discussion and enterprises for sponsorship and to organizations and high schools for cultural and educational exchange, the initial US\$100,000 is essential for advancing all projects at hand and events ongoing. According to the time line in the business plan, BHSCC will be able to achieve self-funding status from merchandising in the second operation year.

Responsibilities of the Operation Delegation (US\$100,000)

- Set up local operation strategies of promoting Beverly Hills City
- Establish and maintain good relations with local governments, cultural and educational organizations
- Collect business information and make news clipping from all sister cities
- Evaluate and partner with local entities to bring business to Beverly Hills City
- Report timely to BHSCC at Los Angeles
- Travel to other sister cities to facilitate events promotion and public relations

To achieve our self-funding financial status, BHSCC is also to hire a full-time employee specialized in licensing management at a long-term perspective.

Responsibilities of the Merchandising Representative (TBD)

- Establish merchandising strategies to meet sales target and achieve continuous growth potential of licensed products
- Draft and launch merchandising plans
- Overview product development, trade show and retails
- Maintain good relations among licensees
- Supervise brand management and legal affairs related to merchandising
- Report timely to BHSCC at Los Angeles

III. Merchandising in China for Beverly Hills Brand

Industry Analysis 10

Huge market potential and predictable middle-class purchasing trends

“The huge size of the economy has made China the second largest licensing market in Asia -- retail sales of licensed products totaled US\$ 600 million in 2001 -- roughly the same as such sales in all East Asian economies combined. Nevertheless, China's licensing market is still in its infancy with much room for expansion. For instance, per capita sales of licensed products are at a low level (just over US\$ 0.4) and such sales only accounted for 0.1% of China's total retail sales of consumer products in 2001.

Backed by a robust economy and rising consumption power, the growth potential of China's licensing market is huge. As in the case of many higher-end consumer goods, the purchase of licensed products leapfrogs as income rises. From the experience of licensing markets across Asian economies, it is estimated that every 1% increase in per capita GDP can bring about more than 1.4% growth in per capita sales of licensed products. That implies, by 2010, that China's licensing market could be worth over US\$ 1.5 billion a year. In high-income cities such as Shanghai, Guangzhou, Shenzhen, Beijing and other major localities in the Pearl River Delta and Yangtze River Delta, retail sales of licensed products could rise to over US\$ 5 per person per year.

Foreign licensing products achieved dominant market position

The huge attraction of China's licensing business is pulling licensors and licensing agents from all over the world into the market. The market has yet to attain the sophistication that is necessary to breed a large number of local licensors and licensing agents. Foreign licensing companies are therefore spearheading the development of the industry in China.”

China's licensing market is currently dominated by foreign character properties. Over 90% of the best-selling licensed products involve foreign properties. Mickey Mouse, Winnie the Pooh, Donald Duck, Snoopy (US), Doraemon, Hello Kitty, Ultraman (Japan) and Teletubbies (UK) are just some of the examples. Many of these properties are either from Hong Kong-based licensors or are handled by Hong Kong-based licensing agents. Because of the dominance of characters, particularly cartoon-driven characters, the application of the properties is geared towards industries producing child-related goods like toys and games, apparel, stationery and children's goods.

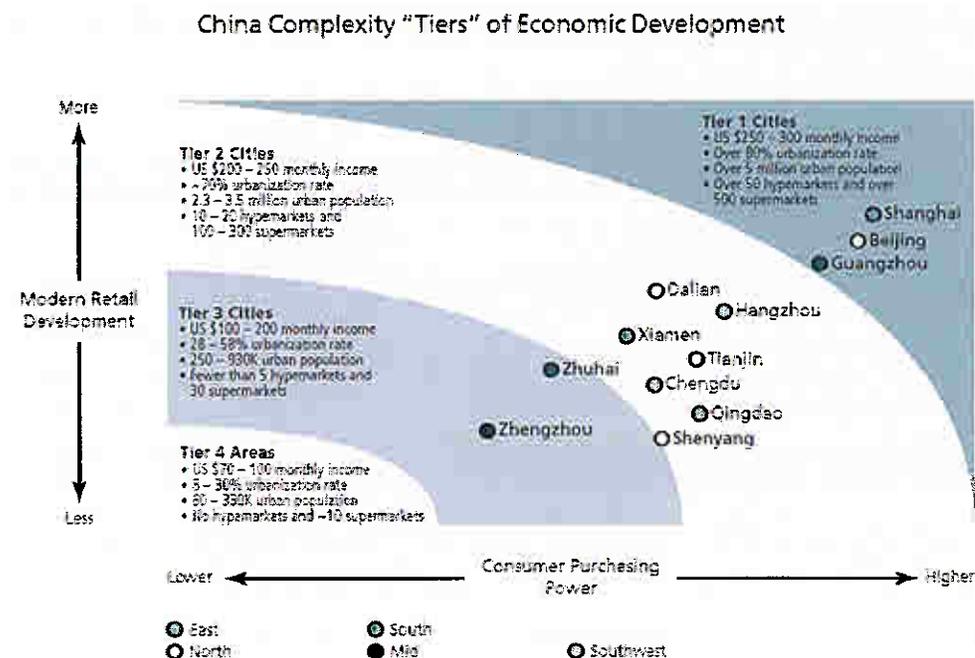
As the concept of licensing remains new to many Mainland companies, foreign licensees play an important role in China owing to their strong concept of IPR protection and business practices that are in line with international standards. At present, 60% of the licensees in China are foreign-funded. The majority of these companies are from Hong Kong and Taiwan. Major distribution channels for licensed products are also foreign-funded, many of which are big foreign chain discount stores like Carrefour, Wal-Mart and Metro, which offer licensed merchandise priced in the mid-range.

10 “Licensing in China - The Hong Kong Bridge” by Hong Kong Trading Development Committee(HKTDC)

Geographic preferences: Metropolitan Commercial Clusters

Business opportunities will continue to be found in the three regional licensing centers -- Shanghai, Beijing and Guangzhou. Opportunities in lower-tier cities will only become substantial after more reliable distribution channels that provide adequate IPR protection are established. Licensed products priced in the mid-range will achieve the highest market penetration.

Below charts illustrated above statement:¹¹



Licensors' management is vital

While sensing the rising popularity of licensed products in the market, many Mainland companies have yet to realize the full benefits of selling licensed products and the proper channels for starting a licensing business. Considerable efforts need to be devoted to educate them about the benefits and proper practices of the licensing business. To build access to these potential Mainland licensees, pro-active marketing strategies are crucial.

Nevertheless, unlike licensees in other Asian economies, Mainland licensees may need greater support from licensors and licensing agents in terms of product development/application of the licensed properties, promotion of their licensed products and business model formulation.”

¹¹ Cited from LEK consulting "Succeeding in China's Multi-Layered Retail Environment"

Market Analysis

Definition of Overall Market

The target market to enter in the merchandising plan is the overall licensing market within China's boundaries. The licensing market in China is glutted with brands with foreign character properties. "Over 90% of the best-selling licensed products involve foreign properties. Mickey Mouse, Winnie the Pooh, Donald Duck, Snoopy (US), Doraemon, Hello Kitty, Ultraman (Japan) and Teletubbies (UK) are just some of the examples."¹²

Market Size and Growth

According to HKDC's report, in 2009, the market size of licensing market in China will reach US\$1199 million in China with an averaged 11.2% annual growth mostly driven by the rising domestic income and purchasing power.

Market Trends

Minimize Operational Risks and maximize profits by allying partners with local advantages and available distribution networks

In regular practices for the merchandising or licensing industry, a brand adopts the strategy: "don't put all eggs in one basket" to license different entities at different local markets to minimize operation risks. Even within one region, if the business potential is large and the market has multi-layers with various geographic characteristics, there will be several distributors in such a region to meet local market distribution needs.

Successful local operation experience, available local distribution network and sufficient professionals are three key successful factors for a brand to consider whom to partner with. Distributors meeting above criteria have sufficient capital to back up the licensing products and distribution channels development. In practice, only reputable distributors can get ideal retail sites at extremely competitive department stores and commercial streets; Department stores are apt to import those brands backed up by mature and reputable distributors rather than risk importing those distributed by new comers. Playboy is a qualified potential partner especially in Southern China regional market due to its distribution network spread and proven sales achievement in China

Quick action and response to get the right timing for market penetration

Backed by the large population and potential purchasing power increase, more and more licensing foreign brands will make their go-to-market considerations and to take actions to take a piece of China's huge retail market cake. Timing is critical at this point. Quick response and action are important for a brand to penetrate the market and achieve initial market advantage than those "late birds". Local operations are thereby necessary.

Distribution is the queen in merchandising

If branding and merchandising is the king, then the queen is the distribution. Distribution channel is vital for the initial success for most licensing products. Due to multi-layers' market situation,

¹² "Licensing in China - The Hong Kong Bridge" by Hong Kong Trading Development Committee(HKTDC)

department stores and chain stores will be two major distribution forms for high-end brands.

Market Segments: From the aspect of function, the market can be segmented into formal, leisure and sporty segments. According to the classification of target consumers, the market can be segmented into Men, Woman and Children's markets.

Targeted Segments: At present, most licensing brands swarm to Cartoon-related or Children related retail markets, such examples include Disney, Hello Kitty, Hush Puppies etc. The segment of high-end apparel and footwear is still evolving and at its infant stage. Brands positioning at this segment only have BMW, Lacoste and Nautica. In complex considerations of relatively large market potential and less competition intensity, we are targeting at the sporty and leisure segment market with mature consumers from 30-45, mostly men.

Customer Characteristics: Target consumers are 30 -45 with high and stable income, have more purchasing power, more loyal to brands than young people. They reside in major cities of China, such as Shanghai, Beijing, Guangzhou and Shenzhen. They are well-educated, with middle to high income, lie in middle and top management executives in government, enterprises or organizations. These consumers are more inclined to pursue the high level of life quality. They have sound knowledge about famous brands and are more loyal to brands satisfying their needs in quality and brand image.

Customer Needs: Mature and elegant brand image and design; Fine, consistent and high quality; Pleasant on-site purchasing experience; Convenient after-sales service and easily reachable sales availability in stores and website.

Product Positioning

- High quality, elegant and simple design: to meet mature men's taste
- Cross-match: to increase suites sales
- Green, healthy fiber: to highlight comfort and health
- Easy care: to meet the need of fast paced life for target consumers

Competition Position

Nautica, BMW lifestyle and Lacoste have entered China's market for years with exploding sales growth. However, due to the overall large market size and relatively few players, at present, there is no dominating brand in the leisure sporty for mature male segment market. China's GDP per capita just exceeded US\$1000, according the developed countries history, personal expenditure will increase fast after this stage. The Beijing Olympic is a great event to educate consumers and stimulate huge market consumption and growth. Sportswear industry will be among one the most beneficial ones.

Branding Beverly Hills City to Sister Cities, Business Plan by Beverly Hills Global Partners Inc.

Competitors Profiles are listed as the following:

Nautica: Founded in 1983, with China market penetration in 1994, Nautica achieved leading market positions in China with the brand image of navigate life, timeless balanced and energetic elements. Its distribution network has 120 stores national-wide and realized an average 15%-20% growth in the latest ten years.



BMW: Partnered and cooperated with Ports, BMW lifestyle debuted its retail presence in the form of a boutique store in 2001. Till 2005, BMW Lifestyle sales have taken up 7% of Ports' China sales and are expected to grow aggressively with more popularity and greater brand awareness.



Lacoste: Established joint venture in 2003, Lacoste expanded its sales fast in China from US\$150,000 in 1995 to US\$ 24 million in 2004. It positioned as “preppy pop”.



Marketing and Sales

Products Offered: The most popular product categories in China for target consumers are apparel, footwear and accessories including caps, key rings and other souvenirs with Beverly Hills' tokens.

Pricing: The pricing strategy is consistent with Beverly Hills' high-end brand image and to provide adequate markup for both licensors and licensees.

According to prevailed price in retail market, the initial price range will be as the following:

Apparel: \$40-\$250

Footwear: \$100-\$200

Accessories and souvenirs: Above \$ 10

Distribution: Distribution strategy is to start from Shanghai's market, which is the best trial market for international brands' penetration, to major cities. It is most convenient for Beverly Hills brand to partner those brands with success distribution operations such as Playboy and other famous local brands, utilizing their distribution networks.

Promotion: Due to budget constraint, Beverly Hills brand's promotion will mainly include advertorial, POP and events initiated by licensees.

Trade Shows: The trade show's time schedule will be in line with those held by licensees.

Discounts and Incentives: Extract 20% license fee of net profit.

Sales Forecasts (please see detailed calculation in finance budgeting)

Branding Beverly Hills City to Sister Cities, Business Plan by Beverly Hills Global Partners Inc.

Assumptions made by average retail data in China by market research:

- Extract 20% of net profit of retail sales
- Start from 10 stores with annual 200% increase
- Average retail sales are US\$400,000/year, with 10% annual growth (estimate annual inflation rate is 5%-8%)
- Average net profit of retails at the segment is 7%

BHSCC						
Year	0	1	2	3	4	5
Calendar Date	2009	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13
Licensing income	20%	7%	\$66,000	\$194,800	\$209,840	\$2,012,472

Branding Beverly Hills City to Sister Cities, Business Plan by Beverly Hills Global Partners Inc.

IV. Balance Sheet

BALANCE SHEET							
Year	0	1	2	3	4	5	
Calendar Date	Sep-09	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13	
	INITIAL PERIOD						
Assets							
Current Assets							
Cash	\$17,000	(\$219,000)	(\$230,100)	(\$164,000)	(\$28,200)	\$1,140,200	
Accounts Receivable							
Inventory							
Fixed Assets							
Equipment Original Book Value	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	
Depreciation	0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	
Net of depreciation	(\$1,000)	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	
Total Assets	\$100,000	(\$207,000)	(\$244,100)	(\$164,000)	(\$20,200)	\$1,148,200	
Liabilities and Owners Equity							
Current Liabilities							
Short Term Debt							
Accounts Payable							
Others							
Long Term Liabilities							
Other Debt							
Owners Equity							
Cash Investment	\$100,000	\$0	\$0	\$0	\$0	\$0	
Additions/Subtractions to Owners Equity		(\$207,000)	(\$244,100)	(\$160,200)	\$202,700	\$1,148,200	
Total Liabilities and Owners Equity	\$100,000	(\$207,000)	(\$244,100)	(\$164,000)	(\$20,200)	\$1,148,200	
Check	0	0	0	0	0	0	

Reso

RESOLUTION NO. 06-R-12053

RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS
ESTABLISHING A POLICY REGARDING REIMBURSEMENT OF EXPENSES

WHEREAS, the City of Beverly Hills and the Beverly Hills City Council take stewardship over the use of limited public resources seriously;

WHEREAS, public resources may be used for travel and reimbursing the expenses of members of the City Council and appointed officials on commissions and committees when there is a benefit to the City and when conducting City business;

WHEREAS, the benefits to the City of reimbursing expenses incurred by members of the City Council include but are not limited to: the opportunity to discuss the community's concerns with local, state and federal officials; participating in regional, state and national organizations whose activities benefit and affect the City; attending educational seminars designed to improve officials' skill and information levels through continuing education and information sharing with other public officials; and promoting public service and morale by recognizing such service;

WHEREAS, legislative and other regional, state and federal agency business is frequently conducted over meals; sharing a meal with regional, state and federal officials is frequently the best opportunity for a more extensive, focused and uninterrupted communication about the City's policy concerns; and each meal expenditure must comply with the limits and reporting requirements of local, state and federal law;

WHEREAS, this policy provides guidance to City Councilmembers and appointed commissioners and committee members on the appropriate use and expenditure of City resources, as well as the standards against which those expenditures will be measured;

WHEREAS, this policy satisfies the requirements of Government Code Sections 53232.2 and 53233.3;

WHEREAS, this policy supplements the definition of actual and necessary expenses for purposes of applicable State laws relating to permissible uses of public resources;

NOW, THEREFORE, the City Council of the City of Beverly Hills does resolve as follows:

Section 1. Application. This policy applies to all City Councilmembers and to members of appointed commissions and committees as set forth in Section 17 of this Resolution (collectively referred to herein as "public official"). In the event that expenses are incurred which exceed these guidelines, the cost borne or reimbursed by the City will be limited to the costs that fall within the guidelines, unless such excess amounts have been approved in advance by the City Council.

Section 2. Expenses. City funds, equipment, supplies, and staff time must only be used for authorized business of the City of Beverly Hills.

Section 3. Authorized Expenses. Expenses incurred by a public official in connection with the following types of activities generally constitute authorized expenses, and may be reimbursed by the City as long as the other requirements of this policy are met:

- A. Serving the needs of the residents, businesses and visitors of the City of Beverly Hills.
- B. Communicating with constituents in compliance with applicable laws;
- C. Communicating with representatives of regional, state and national government on City policy positions;
- D. Attending educational seminars designed to improve public officials' skill, knowledge, and information levels;
- E. City workshops (e.g., priority setting programs and the performance evaluation of appointed staff)
- F. Participating in regional, state and national organizations whose activities benefit or affect the City's interests;
- G. Attending City, community, regional and other events whose activities benefit or positively affect the City's interests;
- H. Recognizing distinguished guests and visitors to the City (for example, a gift or flowers to a visiting dignitary of nominal value and cost);
- I. Implementing a City-initiated strategy for attracting or retaining businesses to the City.

Section 4. Prior Approval. The reimbursement of any international travel shall require prior approval by the City Council.

Section 5. Non-Reimbursable Expenses. Examples of personal expenses that the City will not reimburse include, but are not limited to:

- A. The personal portion of any trip.
- B. Political or charitable contributions.
- C. Family expenses, including spouse or partner's expenses when accompanying official on agency-related business, as well as children-or pet-related expenses;

D. Entertainment expenses, including but not limited to theater, movies (either in-room or at the theater), recreational events not related to City business (including gym, massage and/or golf related expenses), and cultural events not related to City business;

E. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline;

F. Personal alcohol or bar expenses, unless such alcohol or bar expense is consumed in conjunction with activities set forth in Section 3.

Any questions regarding the propriety of a particular type of expense should be resolved by seeking and receiving approval from the City Council prior to incurring the expense.

Section 6. Transportation. The most economical mode and class of transportation reasonably consistent with scheduling needs and the public official's time constraints must be used, using the most direct and time-efficient route. The public official must use government and group rates offered by a provider of transportation when available. The City Council recognizes and acknowledges that some public officials are part-time volunteers, and that personal, employment and other commitments may impact the economy of available travel arrangements.

A. Airfare/Train/Personal Vehicle. Allowance for air and train travel is based on actual round trip coach fare, tourist fare or by the method least costly to the City. Public officials are expected to make special efforts to take advantage of discounts, special fares and travel vouchers whenever available at reasonable and convenient times. Travel by personal vehicle shall not exceed the cost of the airfare or train fare.

B. Automobile. Automobile mileage is reimbursed at Internal Revenue Service rates presently in effect (*see* www.irs.gov). The Administrative Services Department shall provide a new, adjusted mileage rate in January of each year, or when appropriate, and the rate for 2006 is 44.5 cents per mile. These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable. The Internal Revenue Service rates will not be paid for rental vehicles; only receipted fuel expenses will be reimbursed when a rental vehicle is used during official travel. Public officials must have a valid California drivers license and proof of insurance when using a personal vehicle for City business.

C. Car Rental. Allowance for car rental is based on actual cost to rent a full-size vehicle. Public officials are expected to make special efforts to take advantage of discounts, special fares and travel vouchers whenever available at reasonable and convenient times. Public officials must have a valid California drivers license and proof of insurance when using a rental vehicle while on City business.

D. Taxis/Shuttles/Limousines/Town Cars. Taxis, shuttles, limousines, town cars may be reimbursed, including up to a 20 percent gratuity per fare, when the cost of such fare is

equal or less than the cost of car rental, gasoline and parking combined, or when such transportation is necessary for time-efficiency. Public officials are expected to take the most economical mode and class of transportation consistent with scheduling needs and the officials' time constraints.

E. **Parking Expenses.** City will provide reimbursement for actual cost of parking associated with travel, including parking at the airport, hotel and conference parking, training or meeting site or in conjunction with any activity set forth in Section 3 of this policy.

Section 7. Lodging. Lodging expenses will be reimbursed or paid for when travel on official City business reasonably requires an overnight stay. No reimbursement shall be made when official travel is within 50 miles of the City Hall unless prior authorization is sought and granted from the City Council. If the public official chooses to utilize a higher rate hotel or accommodation outside this policy, the public official is personally responsible for the difference in cost.

A. **Conferences/Meetings.** If such lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available, see paragraph B of this Section.

B. **Other Lodging.** The public official must request government lodging rates, when available. Lodging rates that are equal or less to government rates are presumed to be reasonable and hence reimbursable for purposes of this policy. In the event that government rates are not available at a given time or in a given area or for a particular hotel property, lodging rates that do not exceed a rate offered for a standard room in a hotel rated no more than four stars on a five star scale listed on websites such as www.travelocity.com, www.expedia.com, www.orbitz.com or www.hotels.com shall be considered reasonable and hence reimbursable.

Section 8. Meals. Public officials should, when available, take meals that are provided as part of a seminar or conference registration fee. Reimbursable meal expenses and associated gratuities shall not exceed a daily rate of \$150 per person for breakfast, lunch and/or dinner including tax and tip. This amount shall be adjusted annually without further action by the City Council to reflect changes in the cost of living in accordance with statistics published by the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index, all urban consumers for the Los Angeles/Anaheim/Riverside Metropolitan Area. (The annual adjustment will be based on this area whether travel is within the area or not.) The City will reimburse alcohol or bar expenses if such expense is in conjunction with meals taken as part of an authorized activity as set forth in Section 3 of this policy. If a public official exceeds the daily amount for meals, the public official is required to pay these expenses from their personal funds either by paying the additional expense directly or reimbursing the City, whichever method is appropriate.

Section 9. Telephone/Fax/Cellular. Public officials shall be reimbursed for the actual cost of all actual telephone and fax expenses while traveling on City business in order to accomplish City-related business. Telephone bills should identify which calls were made on City

business. For cellular calls when the public official has a particular number of minutes included in the public official's plan, the public official can identify the percentage of calls made on City business and be reimbursed for that percentage of applicable charges. Personal calls up to thirty minutes per day may be made at City expense.

Section 10. Internet/Computer Rental and Related Equipment. On out-of-town trips, public officials will be reimbursed for the actual cost of Internet access connection and/or usage fees away from home, computer rental and related equipment if such use and devices are necessary for City-related business.

Section 11. Tips and Gratuities. Reasonable expenses for tips and gratuities are allowed for hotel and transportation purposes will be reimbursed. Baggage handling fees of up to \$2 per bag will be reimbursed. Tips for meals are included in the daily meal rate, and therefore are not separately reimbursed.

Section 12. Cash Advance Policy. From time to time, it may be necessary for an official to request a cash advance to cover anticipated expenses while traveling or doing business on the City's behalf. Such request for an advance should be submitted to the Administrative Services Department not less than seven (7) days prior to the need for the advance with the following information: (a) the purpose of the expenditure(s); (b) the anticipated amount of the expenditure(s) (for example, hotel rates, meal costs, and transportation expenses); and (c) the dates of the expenditure(s).

Any unused advance must be returned to the City treasury within five (5) business days of the official's return, along with an expense report and receipts documenting how the advance was used in compliance with this expense policy.

Section 13. Expense Report Content and Submission Deadline. All cash advance expenditures, credit card expenditures and expense reimbursement requests must be submitted on an expense report form provided by the City. Public officials must submit their expense reports within 30 days of an expense being incurred. All expenses reported on must comply with this policy. Expense reports must document that the expense in question meets the requirements of this Policy, including providing receipts and/or credit card slips. The inability to provide such documentation in a timely fashion may result in the expense being borne by the official. The information submitted is a public record.

Section 14. Verification of Expense Reports. All expenses are subject to verification that they comply with this Policy. The Chief Financial Officer or his/her designee may request additional documentation or explanation of individual expenditures for which a public official requests reimbursement.

Section 15. Reports To the Public. At a subsequent City Council meeting, each public official shall briefly report, orally or in writing, on meetings attended at City expense. If multiple officials attended an event, a joint report or individual report on behalf of all attendees may be made.

Section 16. Compliance With Laws. Public officials should keep in mind that some expenditures could be subject to reporting under the Political Reform Act and other laws. Records of all City expenditures and documentation regarding expense reimbursements are public records subject to disclosure under the Public Records Act.

Section 17. Commission and Committee Travel and Expenses. Members of Commissions and Committees set forth in Chapter 2 of Title 2 of the Beverly Hills Municipal Code, will not be reimbursed for any expenses except as provided in this Section 17. Members of Commissions and Committees may be authorized by the City Manager or his designee to attend educational seminars or meetings that relate to the Commissions' or Committees' responsibilities when that meeting is located outside of the City. In such case, the commissioner or committee member must comply with the applicable provisions of this Resolution.

Section 18. Violation Of This Policy. Use of public resources or falsifying expense reports in violation of this policy may result in any or all of the following: loss of reimbursement privileges; a demand for restitution to the City; the agency's reporting the expenses as income to the elected official to state and federal tax authorities; civil penalties of up to \$1,000 per day and three times the value of the resources used; and prosecution for misuse of public resources.

Section 19. This policy shall be incorporated and made part of the City Council Policy and Operations Manual as adopted on March 1, 2005. The policy shall be deemed to apply to any reimbursements for expenses approved as of February 1, 2006.

Section 20. The City Clerk shall certify to the adoption of this Resolution and shall cause this Resolution and his certification to be entered in the Book of Resolutions of the Council of this City.

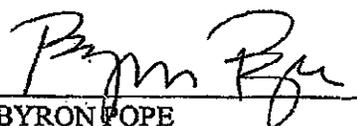
Adopted: March 7, 2006

CITY OF BEVERLY HILLS
A municipal corporation



LINDA J. BRISKMAN
Mayor of the City of
Beverly Hills, California

ATTEST:

 (SEAL)

BYRON POPE
Acting City Clerk

APPROVED AS TO FORM:

Laurence S. Wiener (10/10)

LAURENCE S. WIENER
City Attorney

SISTER CITY COMPARISON SHEET
 October 2007
 Survey Conducted by the City of Culver City

City	Contact	Phone	City Department	Composition	Funding	Report to Council	By-Laws?	Separate Liability Ins	Status-501(c)(3) or other?	Bank Accts-City ID?	Tax Filing?
Anaheim	Marge Conway	(714) 743-4449	Independent from the City.	One board member - City Council Member	Private Bank Account Funded by fundraisings, dues, & \$8,000 from Mito, Japan	Totally independent.	Yes	General Liability for \$1 Million. Company is All-Cal Ins. Agency	Yes, 501(c)3	Committee has own bank account-without the City's tax ID on it.	
Bakersfield	Dr. Gene Clark, President and Natalie, Mayors Staff Admin Asst.	(661) 664-2353 and (661) 654-2475	Mayors Office	City staffed - writing invitation letters from Mayors office. Mayor does speeches at functions. Secretary of Treasure conducts the meetings	Mayor's Budget, Entertainment budget	Totally independent.	Yes	None. They are looking at that right now-to find a spot in their budget-they're concerned it will be an issue. No problems so far.	Yes, 501(c)3	Committee has own bank account-without the City's tax ID on it.	Committee does its own tax filing.
Beverly Hills	Alison Maxwell, Director of Economic Development & Marketing	285-1038	Economic Development	Mayor and One Councilmember as a Council Subcommittee	None	Please see footnote ¹					
Brea	Terry Matz, Asst. City Manager	(714) 990-7600	City Manager's Office	No official city representative. Council participates at official events and on occasion has visited Hanno, Japan at their own expense.	\$5,000 stipend	No official report			Yes	Unknown	Unknown
Burbank	Sharon Cohen, Library Services Director	(818) 238-5551	Burbank Library	One council liaison (usually Mayor); City Manager put Burbank	City funds \$4,900 in the library	No formal reporting	Yes	No, under Burbank's coverage	Yes, 501(c)3	Own tax ID	Yes

¹The Beverly Hills Sister City Committees to Cannes, France and Acapulco, Mexico have been inactive for many years. Currently, only two people are members of the Cannes Sister City group with little or no activity. The Beverly Hills Council subcommittee has requested Ms. Maxwell to pursue new sister cities and/or revitalize the sister cities organization.

9/8/2008

SISTER CITY COMPARISON SHEET

October 2007

Survey Conducted by the City of Culver City

City	Contact	Phone	City Department	Composition	Funding	Report to Council	By-Laws?	Separate Liability Ins	Status-501(c)(3) or other?	Bank Accts-City ID?	Tax Filing?
Glendale	Efren Olivares	(818) 254-7472	City Manager's Office-Senior Management Analyst	SCC under the Library; Chair of BSCC (not City staff) Citizen volunteers, not appointed	budget; dues; fundraising; \$60/year from members, BBQ fundraiser, City does not fund.	Board of Directors have various powers (Art. 4 of By Laws). Mayor serves as honorary president of committee		No	Yes 501(c)3		
Lomita	Don Suminaga, City Council Member	(310) 325-1956	City Hall, 24300 Narbonne, Lomita CA. Location may be changed from time to time within the City	One council member is assigned to be the representative for the association.	Funded mostly by fund raisers and volunteer support programs		Yes	Currently, looking into new insurance, possibly JPIA cost about \$1,200 to \$1,500. City sponsors \$1,500 per year. Budget approved at mid year by council.	Yes 501(c)3	Separate bank account.	

² Fundraising activities include car washes, Anime Festival, restaurant fundraisers where a portion of the proceeds go the Burbank Sister City Committee.

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Los Angeles	Young-Gi Kim, Director of Legislative Affairs/ Avak Keotahian, Legislative Analyst, for the LA City Council	(213) 485-3337 (213) 473-5734	Councilmember Tom LaBonge City of Los Angeles	Mayor appoints La Bonge ³ to act as liaison but he does not serve on any of the individual committees. The committees are made up of interested persons in the community.	No line item budget, but funding is requested annually and source is allocated from Cultural Affairs or other source. Currently, \$50,000 is budgeted. According to committee members from the Berlin and St. Petersburg committees, the committees are funded solely through their own fund raising efforts and contributions and no	No formal process. LaBonge is planning a full presentation soon.	Yes	Yes, for each event, separate liability insurance is purchased. LA City Risk Management requires separate liability insurance for ANY city sponsored event, Sister City or otherwise.	Yes	Expenditures are charged to the City's line item budget.	

³ The City of Los Angeles has 25 Sister Cities, each with its own committee, most with 501(c)(3)s. Councilmember La Bonge's office acts as the umbrella liaison for the 25 Sister City groups. Each Sister City has its own president who is either appointed by the Mayor or elected from its Board of Directors. Each Sister City has its own by-laws and bank account. Councilmember La Bonge holds three major events: Sister City mixer (for all 25 Sister City groups), annual trade conference and a cultural event.

9/8/2008

Page 3 of 5

SISTER CITY COMPARISON SHEET

October 2007

Survey Conducted by the City of Culver City

City	Contact	Phone	City Department	Composition	Funding	Report to Council	By-Laws?	Separate Liability Ins	Status-501(c)(3) or other?	Bank Accts-City ID?	Tax Filing?
Manhattan Beach	Jim Aldinger, Mayor Michael Rossi	(310) 849-9601	Periodically reports back to the Council.	5 members. No exchanges. Independent from City.	money is received from the City. \$0 from City.	No	May have them. Unsure of where they are.	Yes	501(c) (3)	Separate bank account. Doesn't know if City's tax ID is on the bank account.	N/A
Pasadena	Chairperson - Jane Hallinger Contact: Mr. Hallinger, Incoming Treasurer Staff Rep - Jana Stewart	(626) 744-4311	Mayor's Office	Seventy members, 5 appointed by the City Council, Pasadena residency is not required. No limit on the number of members.	Over \$10,000/year from the City	No	Yes	Unknown	Unknown	Unknown	Unknown
Redondo Beach	(Three messages left with Mayor and City Manager's officer, no return call)			Mayor and Vice Mayor sit as co-chairs, but refrain from controlling. Some staff time donated.	City used to give about \$5,000/year, but has not done so in recent years.	No			501(c) (3)		
Santa Barbara	Linda Gunther, Administrator's Office Supervisor	(805) 564-5305	City Administrator Office	3 members appointed by the City Council	\$4,000/year	No, but submit a report to Council annually.	No	No	No	\$4,000 in City Budget. Has own bank account w/o City Tax ID on it.	Unknown
San Jose	Joe Hedges, International Program Manager Joe.hedges@sanjose	(408) 535-8181	Economic Development	Volunteers	\$2,500 per year to each Sister City (7 Sister Cities)	Sister Cities Committee is stand	Each Sister City has a	Yes	Required to maintain nonprofit status per	Has own bank account w/o City Tax ID on it.	Committees file their

9/8/2008

SISTER CITY COMPARISON SHEET

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City	Contact	Phone	City Department	Composition	Funding	Report to Council	By-Laws?	Separate Liability Ins	Status- 501(c)(3) or other?	Bank Accts- City ID?	Tax Filing?
	.ca.gov					alone- totally independent.	separate MOU with the City of San Jose		MOU		own taxes.
Santa Monica	Sonia Ramos Nat Trives, President	(310) 458-8201 (310) 399-1788	Council Administrator	Sonia, when needed. Otherwise, totally independent from City.	Own fundraising; dues; No City funds expended or budgeted.	No	Yes	Yes	501(c) (3)		No
Torrance	Hazel Taniguchi, Torrance Sister City President (Kashiwa, Japan) Only one Sister City Suzie Wand, Senior Recreation Supervisor	(310) 328-1238 (310) 618-2947	Suzie Wand, Community Services, attends monthly meeting and can spend from 2 hours to 30 hours per month on activities	Volunteers, Board members elected in November	\$1,500 per year from Torrance; fundraising; in-kind services from Torrance (printing, monthly meeting room, buses)	Yes, annual written narrative to Council of expenses which is on the Council consent calendar	Yes	Yes, Alliant Insurance Services, Inc. 1301 Dove Street, Suite 200 Newport Beach, CA 92660	501(c) (3)	No	Unkno wn

9/8/2008