

July 31, 2007

SP&H File No. 36060

Ms. Sheri Vander Dussen
Planning Director
City of Anaheim
200 South Anaheim Boulevard, Suite 356
Anaheim, California 92805

*Re: Update of Analyses Related to a Potential Anaheim City Ordinance
Regarding Possible Exchanges of Street Billboards for Freeway
Billboards in Anaheim, CA*

Dear Ms. Vander Dussen:

Per your request, SANLI PASTORE & HILL, INC. ("SP&H") has performed updated analyses for a potential ordinance of the City of Anaheim that may allow exchanges (the "Exchange") of billboards located on city-streets ("City-Street Billboards") for billboards located adjacent to freeways ("Freeway Bulletins"). SP&H has developed a framework the City of Anaheim (the "City") could use to evaluate the required terms of an Exchange. SP&H has also developed estimated ranges of the number of City-Street Billboards that may potentially be removed in exchange for a Freeway Bulletin.

DATE OF VALUE

The date of value utilized for these analyses is July 31, 2007, the date of this letter.

PURPOSE OF ASSIGNMENT

The purpose of SP&H's analyses is two-fold. First, SP&H will provide the City with a framework (the "Framework") that can be used to evaluate the required terms of an Exchange of City-Street Billboard structures for a Freeway Bulletin structure. Second, SP&H will provide the City with estimated ranges of the number of two-sided City-Street Billboard structures that may be needed in exchange for a one-sided Freeway Bulletin structure (the "Billboard Exchange Rate").

FUNCTION OF ASSIGNMENT

The function of SP&H's analyses is to assist the City with internal planning.

ESTIMATED BILLBOARD EXCHANGE RATES

We have determined that the estimated Billboard Exchange Rates for an Exchange of **two-face** City-Street Billboard Structures for a **one-face** Freeway Bulletin structure are as follows:

Estimated Ranges of Billboard Exchange Rates						
Type of Structure	Range for High Revenue Freeway Location			Range for Low Revenue Freeway Location		
	8-Sheets	27 (54 faces)	-	41 (82 faces)	19 (38 faces)	-
30-Sheets	4 (8 faces)	-	7 (14 faces)	3 (6 faces)	-	5 (10 faces)
Bulletins	1 (2 faces)	-	2 (4 faces)	1 (2 faces)	-	2 (4 faces)

A billboard structure may have one or two billboard panels (or "faces"). Furthermore, each face has the ability to generate revenue. The above exchange rate represents the

Ms. Sheri Vander Dussen
Billboard Ordinance Study
July 31, 2007
Page 3 of 3

number of structures (assuming each structure has two faces) necessary to exchange for a single face Freeway Bulletin.

Enclosed is our report, which sets forth the Framework for evaluating an Exchange and the development of the estimated ranges of the Billboard Exchange Rates. Also enclosed is information about SP&H, including the professional qualifications of the firm's principals and the products and services offered by SP&H.

These estimated ranges of the Billboard Exchange Rate may be used to analyze the potential number of City-Street Billboards that may be removed if the City were to negotiate an Exchange. The Billboard Exchange Rate may also be used as a general point of reference against which the City may compare the reasonableness of offers for an Exchange.

It should be noted, however, that each billboard is unique and that the profitability of particular billboards can vary substantially. Consequently, the estimated ranges of the Billboard Exchange Rate should not be relied upon as a fairness opinion for a specific Exchange. A fairness opinion for a specific Exchange must be supported with comprehensive due diligence and financial analyses of each specific transaction.

Nothing herein shall be construed as appraisal opinions for a transaction, settlement or court testimony.

Respectfully submitted,

Sanli Pastore & Hill

SANLI PASTORE & HILL, INC.
a California Corporation

FV/as
Enclosures

BACKGROUND

The Ordinance

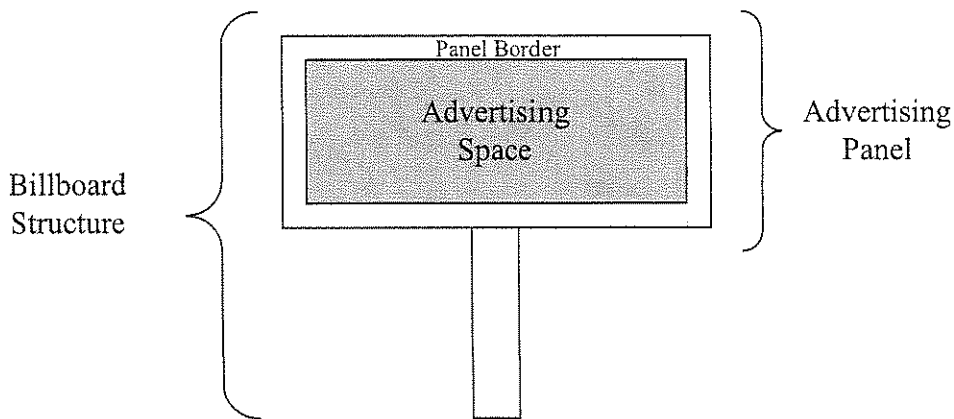
The City of Anaheim (the "City") is contemplating an ordinance (the "Ordinance") aimed at reducing the number of billboards located on streets ("City-Street Billboards") within the city of Anaheim. The potential Ordinance would offer billboard companies that currently have City-Street Billboards in Anaheim the opportunity to construct and operate billboards located adjacent to a freeway ("Freeway Bulletins")¹ in exchange for the demolition of City-Street Billboards. Although the City has not identified specific sites along a freeway that may be made available for the construction of the Freeway Bulletins, SP&H understands that these sites may be along Highway 57 and Highway 91 in Anaheim.

The Exchange

As envisioned, the Ordinance would allow the City to negotiate an exchange of a certain number of City-Street Billboards for a Freeway Bulletin (the "Exchange"). The billboard companies must offer enough City-Street Billboards in the Exchange so that the economic benefits from the forsaken City-Street Billboards will roughly equal the economic benefits gained by the construction and operation of the Freeway Bulletin.

Definitions and Terms

The image below represents the basic components that comprise a billboard structure.



Below are definitions of terms used throughout this report.

- 30-Sheet: A billboard structure with advertising space (not including the panel border) that is approximately 12 Ft. x 25 Ft. in size (or 300 Sq. Ft.). The total size of the

¹ As currently envisioned, the advertising panel of the Freeway Bulletin would be between 14 Ft. x 48 Ft. and 18 Ft. x 60 Ft. in size. In the billboard industry, billboards of this size are referred to as "bulletins."

advertising panel (including the panel border) is approximately 13 Ft. x 25.5 Ft. in size (or 331.5 Sq. Ft.).

- 8-Sheet: A billboard structure with advertising space (not including the panel border) that is approximately 11 Ft. x 5 Ft. in size (or 55 Sq. Ft.). The total size of the advertising panel (including the panel border) is approximately 6 Ft. x 12 Ft. (or 72 Sq. Ft.).
- Advertiser: The entity that purchases billboard space from a billboard company.
- Advertising Panel: The square or rectangular structure on which advertisements are placed. The advertising panel is made up of the advertising space and a panel border (see the image on page 1). A typical billboard structure may have one to two panels; however, some billboard structures may have up to three panels per structure.
- Advertising Space: The square or rectangular space on which the actual advertisement is placed (see the image on page 1).
- Advertising Rate: The rate that billboard companies charge advertisers to place an advertisement on a billboard's advertising space.
- Agency Commissions: Commissions that billboard companies pay to advertising agencies that place advertisements on billboards. Commissions are typically a percentage of the advertising rate, and often range from 15% to 17%, but are most often 16 ⅔%.
- Bulletin: A billboard structure with advertising space (not including the panel border) that ranges between 14 Ft. x 48 Ft. (672 Sq. Ft.) and 18 Ft. x 60 Ft. (1,080 Sq. Ft.) in size. The size of the total advertising panel (including the panel border) ranges from 49 Ft. x 15 Ft. (or 735 Sq. Ft.) to 19 Ft. x 61 Ft. (or 1,159 Sq. Ft.).
- Daily Effective Circulation: Measures the number of persons (in thousands) over 18 years of age that see a given billboard in a 24-hour period. For example, a billboard with a DEC of 92.5 is seen by 92,500 adults in a 24-hour period.
- One-Sided Structure: A billboard structure with only one advertising panel.
- Panel Border: The border around the advertising space on an advertising panel (see image on page 1). The size of the panel border may vary from billboard to billboard.
- Rent: The rent that billboard companies pay the owner of the land on which the billboard structure is located.
- Revenue: The money received by a billboard company from advertisers for their use of a billboard structure's advertising space.
- Rotating Package: Advertisers often use billboards as part of "rotating packages." Under a typical rotating package, advertisers will enter into a contract to advertise over a period

of time on different billboards owned by the same outdoor advertising company. The advertisement will “rotate” between the various billboard structures over the term of the contract.

- Structure: The physical structure on which advertising panels are located (see the image on page 1). The size, shape and dimensions of a billboard structure depend on the height of the advertising panel(s) above the ground and the dimensions of the panel(s).
- Two-Sided Structure: A billboard structure with two advertising panels.

BILLBOARD COMPANIES IN ANAHEIM

As of 2006 there were five major billboard companies in Anaheim, CA operating approximately 83 billboards.² Six of the billboards were freeway oriented while the remaining 77 billboards were street oriented. The table below indicates the major billboard companies and the type of billboard(s) each operated in Anaheim.

<u>Company</u>	<u>Types of Billboards</u>
CBS (Viacom)	Freeway Bulletins, City-Street Bulletins, 30-Sheets, 8-Sheets
Regency	Freeway Bulletins; City-Street Bulletins
Vista Media	8-Sheets
Clear Channel	Freeway Bulletins, City-Street Bulletins, 30-Sheets, 8-Sheets
Orange Coast Advertising	8-Sheets

DESCRIPTION OF ANALYSIS

In this report SP&H will develop: (1) a framework that can be used to evaluate the potential terms of an Exchange (the “Framework”); and (2) an estimated range of the number of City-Street Billboards that would be needed to meet the requirements for the Exchange for each type of billboard in the City (the "Billboard Exchange Rate").

DEVELOPMENT OF THE FRAMEWORK

To determine the Billboard Exchange Rate, SP&H analyzed and compared: (1) the economic benefits a billboard company realizes from owning City-Street Billboards; and (2) the potential

² The number of billboards in Anaheim is based on the Anaheim City Council Meeting of September 12, 2006.

economic benefits that could accrue to a billboard company if it constructed and operated a Freeway Bulletin. The Billboard Exchange Rate is calculated by comparing the economic benefits of a City-Street Billboard with the potential economic benefits of a Freeway Bulletin. For example, if a City-Street Billboard had profits of \$10,000 per year and a Freeway Bulletin could generate \$50,000 in annual profits, the Billboard Exchange Rate would be 5 to 1 (i.e., 5 City-Street Billboards for 1 Freeway Bulletin).

I. Economic Benefits of City-Street Billboards

SP&H analyzed the *Revenues* and *Expenses* that are attributable to the operation of both City-Street Billboards and Freeway Bulletins. Since a billboard company's overhead expenses (e.g., administrative costs, accounting, marketing, etc.) may not change if it decides to participate in the Exchange, these expenses would not be considered in analyzing the economic benefits of the City-Street Billboards offered in the Exchange. Therefore, the economic benefits generated by City-Street Billboards are best analyzed by a measure of *Gross Profit* (i.e., profits before overhead expenses). In this analysis, *Gross Profit* for City-Street Billboards is calculated as follows:

$$\text{Gross Profit per City-Street Billboard} = (\text{Revenue} - \text{Rent} - \text{Agency Commissions})$$

EXAMPLE 1: Annual Gross Profit per City-Street Billboard

Assume a billboard company wanted to exchange City-Street Billboards for a Freeway Bulletin and offered City-Street Billboards with the following characteristics:

- Each City-Street Billboard generated \$6,000 in *Revenue*;
- The *Rent* for the land on which each City-Street Billboard was located was \$1,200; and
- *Agency Commissions* were \$1,000 for each City-Street Billboard.

Based on the assumptions above, *Gross Profit per City-Street Billboard* would be calculated as:

$$\text{Gross Profit Per City-Street Billboard} = (\$6,000 - \$1,200 - \$1,000) = \underline{\underline{\$3,800}}$$

II. Economic Benefits of Freeway Bulletins

According to Mr. Jack White, City Attorney, as the potential Ordinance is currently envisioned, a billboard company choosing to participate in an Exchange would incur all of the costs associated with facilitating the Exchange. The billboard company would also be responsible for all efforts to find and negotiate leases for the Freeway Bulletin site(s). Consequently, the economic benefits of Freeway Bulletins must reflect the out-of-pocket expenses and the time that would be incurred by a billboard company participating in an Exchange.

Costs of Freeway Bulletin Selection

Similar to a City-Street Billboard, the potential economic benefits of a Freeway Bulletin are also best measured by *Gross Profit*. The equation for calculating *Gross Profit* for Freeway Bulletins, however, is slightly different. This is due to the fact that, unlike a City-Street Billboard that is already constructed, a billboard company would incur the following additional costs (“Relocation Costs”) to facilitate the Exchange:

- Demolition costs of all City-Street Billboards offered in the Exchange;
- Construction cost of the Freeway Bulletin; and
- Costs to locate and negotiate a lease for the site of the Freeway Bulletin (“Site Selection Costs”).

From the standpoint of a billboard company, the monies spent on *Relocation Costs* could be invested in other activities where those funds could generate income. For example, if a billboard company needed to invest \$200,000 in *Relocation Costs* to fund an Exchange, and it could have earned a 20% rate of return on those funds in another investment with similar risks to the Freeway Bulletin, the billboard company has lost the opportunity to earn \$40,000 in annual income.³ This lost income can be thought of as an additional cost that the billboard company must incur to participate in the Exchange. This cost is referred to herein as the “*Return on Relocation Costs*.”

Thus, in order for the Billboard Exchange Rate to be economically and financially relevant to a billboard company, the *Gross Profit* for a Freeway Bulletin must also reflect the *Return on Relocation Costs* associated with the Exchange. Therefore, *Gross Profit* for a Freeway Bulletin is calculated as follows:

$$\text{Gross Profit per Freeway Bulletin} = (\text{Revenue} - \text{Rent} - \text{Agency Commission} - \text{Return on Relocation Costs})$$

The various variables in the *Gross Profit per Freeway Bulletin* are calculated as follows:

<i>Return on Relocation Costs</i>	=	<i>(Relocation Costs) X (Required % Return)</i>
<i>Relocation Costs</i>	=	<i>Construction Cost of Freeway Bulletin + Site Selection Costs + Demolition Cost of City-Street</i>
and, <i>Demolition Cost of City-Street Billboards</i>	=	<i>Demolition Cost per Billboard Structure X Number of City-Street Billboards to be Exchanged</i>

³ The hypothetical \$40,000 in lost earnings is calculated by multiplying the hypothetical *Relocation Costs* of \$200,000 by a hypothetical 20% annual return. The assumed 20% return reflects the rate of return required by investors investing in an investment of similar risk characteristics to a Freeway Bulletin.

EXAMPLE 2: Annual Gross Profit per Freeway Bulletin

Assume that the billboard company in Example 1 identified a Freeway Bulletin that it wanted to develop that had the following characteristics:

- The Freeway Bulletin could generate \$240,000 in *Revenue*;
- The *Rent* was \$36,000 for each Freeway Bulletin;
- *Agency Commissions* were \$38,000; and
- The *Annual Return on Relocation Costs* was \$40,000.

Based on the assumptions above, *Annual Gross Profit per Freeway Bulletin* would be calculated as follows:

$$\text{Gross Profit Per Freeway Bulletin} = \$240,000 - \$36,000 - \$38,000 - \$40,000 = \underline{\underline{\$126,000}}$$

III. Calculating the Billboard Exchange Rate

After calculating the *Annual Gross Profit* (i.e., economic benefits) for both the Freeway Bulletins and the City-Street Billboards, the Billboard Exchange Rate can then be determined as follows:

$$\text{Billboard Exchange Rate} = \frac{\text{Annual Gross Profit per Freeway Bulletin}}{\text{Annual Gross Profit per City-Street Billboard}}$$

The Billboard Exchange Rate indicates the ratio of City-Street Billboards that may be required by the City in exchange for the right to construct and operate a single sided Freeway Bulletin. For instance, a Billboard Exchange Rate of 5 indicates that a billboard company should offer five City-Street Billboards in exchange for 1 Freeway Bulletin.

EXAMPLE 3: Billboard Exchange Rate

Assuming the *Gross Profits* calculated previously in Examples 1 & 2, the *Billboard Exchange Rate* would be calculated as follows:

$$\text{Billboard Exchange Rate} = \frac{\$126,000}{\$3,800} = \underline{\underline{33}}$$

Thus, given the assumptions in Examples 1 & 2, the billboard company would have to exchange 33 City-Street Billboard structures (two panels for each structure) for 1 Freeway Bulletin panel.⁴

CALCULATION OF RANGE OF BILLBOARD EXCHANGE RATES

In this section, SP&H will develop an estimated range for a Billboard Exchange Rate for City-Street Billboards and Freeway Bulletins. The following provides a summary of the discussion that follows in this analysis:

- Schedule 1-A (page 22): SP&H will develop the *Gross Profit* per panel for 8-Sheets, 30-Sheets and Bulletins located on city-streets in Anaheim, California;
- Schedule 1-B (page 23), SP&H will develop the *Gross Profit* range for hypothetical Freeway Bulletins;⁵
- Schedules 2-A and 2-B (pages 24-25): SP&H will determine the estimated *Return on Relocation Costs* to a billboard company electing to participate in the Exchange; and
- Schedules 3 - 5 (pages 26-28): SP&H will calculate the ranges of the Billboard Exchange Rates.
- Schedule 6 (page 29): SP&H will develop a summary of the exchange rates.
- Exhibits 1 - 4 (pages 30-33): SP&H presents our research results for revenues on billboards.

SCHEDULE 1-A OVERVIEW (See Schedule 1-A, page 22)

In Schedule 1-A, SP&H will analyze the range of economic benefits generated by City-Street Billboards by calculating the range of the *Gross Profit per City-Street Billboard*. In Schedule 3 (page 26) SP&H will use the results calculated in Schedule 1-A to determine the range of Billboard Exchange Rates.

Below, SP&H will describe the methodology and assumptions used to calculate the range of *Gross Profit per City-Street Billboard* on Schedule 1-A. First, SP&H will discuss the methodology used to calculate *Gross Profit per City-Street Billboard*. Then, SP&H will discuss how we determined the *Revenue* that each type of City-Street Billboard could generate. Finally, SP&H will discuss our assumptions regarding the *Rent* and *Agency Commissions* expenses.

Gross Profit per City-Street Billboard:

Since a billboard company's overhead expenses (e.g., administrative costs, accounting, marketing, etc.) may not change if it decides to participate in the Exchange, these expenses would not be considered in analyzing the economic benefits of the City-Street Billboards offered in the Exchange. Therefore, the economic benefits generated by City-Street Billboards are best analyzed by a measure of *Gross Profit* (i.e., profits before overhead expenses). The equation for calculating *Annual Gross Profit* for City-Street Billboards is as follows:

$$\text{Gross Profit per City-Street Billboard} = (\text{Revenue} - \text{Rent} - \text{Agency Commissions})$$

To calculate the *Annual Gross Profit* per panel for the City-Street Billboards SP&H must first determine the *Revenue* that each type of billboard can generate.

Estimating 8-Sheet Revenue:

8-Sheets ordinarily rent as part of a rotating package of billboards and rarely rent on an individual basis. Consequently, the individual characteristics of a particular billboard may not have a significant impact on the revenue-generating capability of that specific billboard.

Nonetheless, depending on its specific location and attributes, a particular 8-Sheet may be more or less desirable than the average 8-Sheet in its rotating package. Those that are more desirable than average are often included in rotating packages of less desirable billboards to induce advertisers to purchase a particular rotating package of billboards. Consequently, losing a highly desirable 8-Sheet may reduce the billboard company's ability to sell a particular rotating package. This could result in a reduction in revenues that is greater than the revenues generated by the highly desirable 8-Sheet.

To develop a potential range for an 8-Sheet Billboard Exchange Rate, SP&H will assume that each 8-Sheet is of average desirability and therefore generates an average *Revenue* level. To

determine the average *Revenue* generating capability of 8-Sheets in Anaheim, SP&H researched the asking advertising rates for 8-Sheets in Anaheim. SP&H was able to obtain the current asking advertising rate for two billboard companies offering 8-Sheets in Anaheim. A summary of our findings can be viewed in Exhibit 4 (see page 33).

Based on the information available per Exhibit 4, SP&H determined the average annual advertising rate (i.e., *Revenue* per 8-Sheet City-Street Billboard) to be \$3,600 ($\300×12) per panel for an 8-Sheet.

It should be noted, however, that for the reasons stated above, the desirability (and *Revenue* generating capability) of actual 8-Sheets offered in an Exchange may differ from the average desirability assumed in this analysis. This could substantially affect the Billboard Exchange Rate for a particular mix of 8-Sheets offered in a specific Exchange.

Estimating 30-Sheet Revenue:

Like 8-Sheets, 30-Sheets sometimes rent as part of a rotating package of billboards, but they also rent on an individual or permanent basis. Consequently, the factors that affect the revenue generating capabilities of 30-Sheets are the same as for 8-Sheets.

To develop a potential range for a 30-Sheet Billboard Exchange Rate, SP&H will assume that 30-Sheets are of average desirability and *Revenue* generating capability. To determine the average *Revenue* of 30-Sheets in Anaheim, SP&H researched the asking advertising rates for 30-Sheets in Anaheim. SP&H was able to obtain rates and estimates with billboard brokers, advertising media representatives, and billboard companies for 30-Sheets in Anaheim. A summary of our findings can be viewed in Exhibit 3 (see page 32).

Based on the information available per Exhibit 3, SP&H determined the average annual advertising rate for 30-Sheets (i.e., *Revenue* per 30-Sheet City-Street Billboard) to be \$32,400 ($\$2,700 \times 12$) per panel.

It should be noted, however, that similar to 8-Sheets, the desirability (and *Revenue* generating capability) of actual 30-Sheets offered in an Exchange may differ from the average desirability assumed in this analysis. This could substantially affect the Billboard Exchange Rate for a particular mix of 30-Sheets offered in a specific Exchange.

Estimating City-Street Bulletin Revenue:

Bulletins rent as either part of rotation packages or on an individual or permanent basis. The potential revenue-generating capability of a City-Street Bulletin is best estimated by the demographics of the potential viewing audience and the billboard's Daily Effective Circulation ("DEC"),⁶ which measures the number of people that see a particular billboard in a 24-hour period.

To develop a potential range for a City-Street Bulletin Billboard Exchange Rate, SP&H will assume that the each City-Street Bulletin is of typical desirability and *Revenue* generating

capability. To determine the typical *Revenue* for City-Street Bulletins in Anaheim, SP&H researched the asking advertising rates for all City-Street Bulletins currently available in Anaheim and vicinity. SP&H was able to obtain estimates with billboard brokers, advertising media representative, and billboard companies for the City-Street Bulletins in Anaheim and vicinity. A summary of our findings can be viewed in Exhibit 2 (see page 31).

Based on the information available per Exhibit 2, SP&H determined the typical annual advertising rate for City-Street Bulletins (i.e., *Revenue per City-Street Bulletin*) to be \$120,000 (\$10,000 x 12) per panel.

It should be noted, however, that similar to 8-Sheets and 30-Sheets, the desirability (and *Revenue* generating capability) of actual City-Street Bulletins offered in an Exchange may differ from the typical desirability assumed in this analysis. This could substantially affect the Billboard Exchange Rate for a particular mix of City-Street Bulletins offered in a specific Exchange.

Rent Assumptions:

To determine the typical *Rent* expense,⁷ SP&H contacted billboard companies and billboard consultants, and reviewed billboard leases for billboard structures located throughout California. SP&H's research revealed that there is no single "typical" rent amount and that lease terms vary substantially from billboard structure to billboard structure. While there is no single typical rent amount, based on our research, *Rent* expenses range between 5% and 65% of *Revenue*, but are most often between 15% and 30% of *Revenue* for each billboard structure.

Consequently, to calculate a range for the two Billboard Exchange Rates SP&H will calculate *Annual Gross Profit* for each billboard assuming that *Rent* is 15% and 30% of *Revenue*.

Agency Commissions:

Based on SP&H's research and analysis, *Agency Commissions* typically range between 15% and 17% of *Revenue* and commonly amount to 16 $\frac{2}{3}$ %. For purposes of this analysis SP&H assumed that *Agency Commissions* equal 16 $\frac{2}{3}$ % of *Revenue*.

Schedule 1-B Overview (See Schedule 1-B, page 23)

In Schedule 1-B, SP&H will analyze the range of economic benefits that a billboard company could generate by operating a Freeway Bulletin. The range of economic benefits will be measured by calculating the range of *Gross Profit per Freeway Bulletin*. In Schedule 3 (page 26) SP&H will use the results calculated in Schedule 1-B to determine the range of Billboard Exchange Rates.

Below, SP&H will describe the methodology and assumptions used to calculate the range of *Gross Profit per Freeway Bulletin*. First, SP&H will discuss the methodology used to calculate *Gross Profit per Freeway Bulletin*. Then, SP&H will discuss how we determined the *Revenue* Freeway Bulletins could generate. Finally, SP&H will discuss our assumptions regarding the *Rent* and *Agency Commissions* expenses.

Gross Profit per Freeway Bulletin:

Recall the equation for calculating *Gross Profit* for Freeway Bulletins is as follows:

$$\text{Gross Profit per Freeway Bulletin} = (\text{Revenue} - \text{Rent} - \text{Agency Commission} - \text{Return on Relocation Costs})$$

where:

$$\text{Return on Relocation Costs} = (\text{Relocation Costs}) \times (\text{Required \% Return})$$

To calculate the *Gross Profit* per panel for a Freeway Bulletin SP&H must first determine the potential *Revenue* that a Freeway Bulletin can generate.

Since the City has not determined a specific location where a billboard company could construct a Freeway Bulletin, SP&H will develop two ranges for the Billboard Exchange Rate based on two hypothetical Freeway Bulletins. The two ranges will be based on the results of SP&H's research into advertising rates for Freeway Bulletins that currently exist in Anaheim. The first range will assume the low end of the current advertising rates, while the second will assume the high end of the range.

The range of *Revenue* that could be generated by each Freeway Bulletin is based on an analysis of the current advertising rates for actual Freeway Bulletins located along Highway 57 and Highway 91 in Anaheim, California and surrounding area. To determine this range, SP&H obtained rates and estimates that are currently being paid for bulletins in the Orange County vicinity. A summary of our findings can be viewed in Exhibit 1 (see page 30).

Based on SP&H's analysis per Exhibit 1, there are essentially two ranges of Freeway Bulletin Rates in Orange County and Los Angeles County. The "Low Revenue Locations" are about \$22,000 per month and the "High Revenue Locations" are approximately at \$30,000 per month.

Based on the information above, SP&H determined the average annual advertising rate for Freeway Bulletins in Low Revenue Locations to be \$264,000 ($\$22,000 \times 12$) and \$360,000 ($\$30,000 \times 12$) in High Revenue Locations.

Rent Assumptions:

The factors affecting the *Rent* expense for Freeway Bulletins are the same as those affecting City-Street Billboards. Consequently, SP&H made the same *Rent* assumptions for Freeway Bulletins that were made for City-Street Billboards.

Agency Commissions:

The factors affecting the *Agency Commission* expense for Freeway Bulletins are the same as those affecting City-Street Billboards. Consequently, SP&H made the same *Agency Commission* assumption for Freeway Bulletins that was made for City-Street Billboards.

Return on Relocation Costs:

The *Return on Relocation Costs* reflects the lost potential income that a billboard company could have earned had it invested the monies used to fund the *Relocation Costs* in another investment with similar risk characteristics. The *Return on Relocation Costs* is calculated in Schedule 2-A and 2-B (see pages 24-25).

SCHEDULE 2-A AND 2-B OVERVIEW (See Schedules 2-A and 2-B, pages 24-25)

In Schedules 2-A and 2-B, SP&H developed the *Return on Relocation Costs*, which was used in the calculation of *Gross Profit* per Freeway Bulletin in Schedule 1-B. The *Return on Relocation Costs* reflects the lost potential income that a billboard company could have earned had it invested the monies used to fund the *Relocation Costs* in another investment with similar risk characteristics.

In this section SP&H will review the methodology used to determine the *Return on Relocation Costs*. Then SP&H will discuss how we determined the following variables used to calculate the *Return on Relocation Costs*:

- Construction Cost of Freeway Bulletin;
- Site Selection Cost; and
- Demolition Cost of City-Street Billboards.

Finally, SP&H will discuss the combination of assumptions made to determine the upper and lower end of each Billboard Exchange Rate range.

Return on Relocation Costs Methodology:

The *Return on Relocation Costs* is calculated by multiplying the *Relocation Costs* by the *Required % Return* (i.e., the rate of return required by investors given the various investment risks). The equation for calculating *Return on Relocation Costs* is as follows:

$$\text{Return on Relocation Costs} = (\text{Relocation Costs}) \times (\text{Required \% Return})$$

Where:

$$\text{Relocation Costs} = \text{Construction Cost of Freeway Bulletin} + \text{Site Selection Costs} + \text{Demolition Cost of City-Street Billboards}$$

and,

$$\text{Demolition Cost of City-Street Billboards} = (\text{Demolition Cost per City-Street Billboard Structure}) \times (\text{Billboard Exchange Rate})$$

The following sections discuss the calculation of each of these variables.

Construction Cost Freeway Bulletin:

To determine the likely cost to construct a Freeway Bulletin, SP&H received construction estimates from billboard contractors mostly located in Southern California. The table below summarizes the range of estimated construction costs.

**Estimated Construction Cost For a Freeway Bulletin
(14 Ft. x 48 Ft.)**

<u>Contact</u>	<u>Estimated Construction Cost</u>
RMG Outdoor, Inc.	\$84,500-\$124,500
Outdoor Specialist	\$43,000
Dixie Sign	\$45,000
Horizon Industries	\$55,000-\$60,000
Trinity Products	\$42,000

Based on information from these contractors, the actual cost to construct a Freeway Bulletin varies according to the following:

- Actual height, dimensions and depth of the billboard structure;
- Accessibility of the Freeway Bulletin site for a crane;
- Absence of physical obstacles to the Freeway Bulletin site; and
- Soil and wind conditions at the Freeway Bulletin site.

For the purposes of this analysis, SP&H assumed that the Freeway Bulletin site had average characteristics. Based on the information above, SP&H assumed the *Construction Cost of Freeway Bulletin*, including the cost of the structure, to be \$50,000.

Site Selection Costs:

To find and secure a location for a Freeway Bulletin, a billboard company would incur costs associated with the time employees would spend on the following tasks:

- Identify need and target market;
- Identify priority corridors;
- Identify specific properties of interest;
- Research availability of properties of interest;
- Negotiate to secure properties;
- Research and secure necessary permits; and
- Coordinate construction.

In our 2003 study, we determined estimated hourly relocation requirements. SP&H assumed that a relocation manager/supervisor and a relocation assistant would perform these tasks. Consequently, SP&H estimated the cost of performing these tasks by proportioning the total hours between a manager/supervisor and an assistant. SP&H then applied estimated wages to the time each would spend on the project. Based on the information above, SP&H determined that *Site Selection Costs* would approximate \$16,100.

Demolition Cost of City-Street Billboards:

Recall that *Demolition Cost of City-Street Billboards* is calculated as follows:

$$\text{Demolition Cost of City-Street Billboards} = \text{Demolition Cost per Billboard Structure} \times \text{Number of City-Street Billboards to be Exchanged}$$

The first step in determining the *Demolition Cost per Billboard Structure* is to determine the cost to demolish each City-Street Billboard. To determine the likely cost to demolish each City-Street Billboard, SP&H received demolition cost estimates from various contractors that remove billboard structures in Southern California. The table below summarizes the range of estimated demolition costs for each type of billboard structure.

Contact	Estimated Demolition Costs		
	8-Sheets	30-Sheets	Bulletins
RMG Outdoor, Inc.	\$12,500-\$17,500	\$12,500-\$17,500	\$12,500-\$17,500
AAA Demolition	\$1,000	\$2,000	\$3,500
American Demolition	\$2,500	\$5,000	\$10,000
Rimshot Demolition	\$9,500	\$12,750	\$13,500
CST Environmental	\$20,800	\$40,800	\$57,800
McLoud Demolition	\$9,000	\$12,000	\$12,000

It should be noted that, according to the contractors SP&H contacted, the actual cost to demolish a particular City-Street Billboard structure varies depending on the following:

- Accessibility of the billboard structure for a crane;
- Height and dimensions of the billboard structure; and
- Absence of physical obstacles (e.g., landscaping, other buildings, etc.).

For the purposes of this analysis, SP&H assumed that the City-Street Billboard structures were accessible for a crane, of average height and dimensions, and were not blocked by any obstacles.

SP&H also assumed that each billboard structure offered in the Exchange was double sided (i.e., had two advertising panels or faces). Based on the information above, SP&H assumed the *Demolition Cost per Billboard Structure* to be:

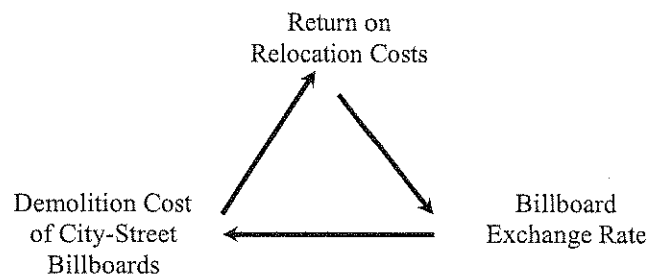
- \$9,000 per 8-Sheet structure;
- \$12,000 per 30-Sheet structure; and
- \$13,000 per Bulletin structure.

It should be noted that if the City-Street Billboard structures were inaccessible for a crane, were blocked by obstacles, or were single-sided (e.g., only had one advertising panel per structure) the demolition cost could change.

Number of Billboards to be Exchanged:

The next step in calculating the *Demolition Cost of City-Street Billboards* is to determine the number of City-Street Billboard structures that would need to be removed by the billboard company (i.e., the *Billboard Exchange Rate*).

It should be noted that the *Billboard Exchange Rate* is dependent on the *Return on Relocation Costs*, which is dependent on the *Demolition Cost of City-Street Boards*. The greater the number of billboards in the *Billboard Exchange Rate*, the greater the *Demolition Cost of City-Street Billboards*, and therefore, the greater the *Return on Relocation Costs*. This interdependent relationship between these variables is illustrated below.



Because the *Return on Relocation Costs* and the *Billboard Exchange Rate* are interdependent, it is necessary to adjust the number of City-Street Billboards to be demolished until the *Billboard Exchange Rate* used to calculate the *Return on Relocation Costs* equals the ultimate *Billboard Exchange Rate* per Schedules 3 - 5. It should be noted that in some cases, the assumed billboard exchange rate for demolition exceeded the exchange rate by one structure due to the fact that the structures are assumed to be two-panels versus a single panel.

Required % Return:

The *Required % Return* represents the rate of return that a billboard company could earn on the monies spent on *Relocation Costs* if those monies were invested in an alternative investment of

similar risk characteristics to the Freeway Bulletin. To determine an appropriate *Required % Return*, SP&H analyzed several factors. First, SP&H considered implied rates of return from actual market transactions involving billboard companies. Next, SP&H calculated the rate of return that a potential investor would require for an investment of similar risk characteristics using the Capital Asset Pricing Model (CAPM) and the Build-Up Method. While an explanation of the CAPM and Build-Up Method is beyond the scope of this report, the method incorporates the following to calculate a rate of return that would be required by investors:

- Risk-free interest rate (20-year U.S. Government Treasury Bill);
- Risk of investing in public company stock;
- Risk of investing in the outdoor advertising industry; and
- Risk specific to investments in existing and potential billboards in Anaheim, California.

It should be noted that the *Required % Return* reflects the various risks a billboard company may experience if it participates in an Exchange. These potential risks include, but are not limited to:

- The potential inability to obtain a long-term lease for a Freeway Bulletin site while the City-Street Billboards offered in the Exchange had long-term leases or established landlord relationships;
- Inability to negotiate an Exchange after expending efforts and costs to find a potential Freeway Bulletin location(s);
- After expending efforts and costs, the inability to locate a suitable Freeway Bulletin site and/or the inability to negotiate a lease for a Freeway Bulletin site;
- The reduced ability to sell rotation packages on City-Street Billboards in Anaheim and neighboring areas due to fewer billboards in a market area, resulting in a loss of revenues greater than the sum of the revenues generated by the City-Street Billboards offered in the Exchange; and
- Industry, economic and market risk.

For purposes of this analysis, SP&H assumed that the billboard company would not suffer a decreased ability to sell its rotation packages.

Based on SP&H's research and analysis, SP&H determined that a *Required % Return* of 20% is appropriate for this analysis. It should be noted that the *Required % Return* of 20% is highly dependent on the risks and assumptions indicated above. Consequently, the *Required % Return* should be determined on a case-by-case basis, as each billboard company faces unique risks.

Upper and Lower Range Assumptions:

Because SP&H was asked to develop a range of potential Billboard Exchange Rates for each type of City-Street Billboard structure (i.e., 8-Sheets, 30-Sheets and Bulletins), SP&H considered the combination of rent assumptions that results in both the high and low end of the Billboard Exchange Rate range. As indicated previously, the rent charged to billboard companies by the owners of the land on which billboard structures are located varies substantially from billboard to billboard.⁸ To develop the upper and lower range of the Billboard Exchange Rate for Freeway Bulletins, SP&H selected the combination of assumptions that resulted in both the highest and lowest number of City-Street Billboards that a billboard company would have to demolish. The assumptions made for each Freeway Bulletin are summarized below:

<u>Schedule 2-A and 2-B Assumptions</u>			
	<u>City-Street Billboard Rent</u>		<u>Freeway Bulletin Rent</u>
High:	30% of Revenue	<i>And</i>	15% of Revenue
Low:	15% of Revenue	<i>And</i>	30% of Revenue

SCHEDULES 3-5 OVERVIEW (See pages 26-28)

Schedules 3-5 present SP&H's conclusions of Billboard Exchange Rates for 8-Sheets, 30-Sheets and City-Street Bulletins. Recall the equation to determine the Billboard Exchange Rate is as follows:

$$\text{Billboard Exchange Rate} = \frac{\text{Annual Gross Profit per Freeway Bulletin}}{\text{Annual Gross Profit per City-Street Billboard}}$$

The *Annual Gross Profit per Freeway Bulletin* is calculated in Schedule 1-B, while the *Annual Gross Profit per City-Street Billboard* is calculated in Schedule 1-A.

Based on the information received from the City and photographs of City-Street Billboards provided to SP&H, City-Street Billboard structures in Anaheim as of the date of this report are typically two-sided structures (i.e., each structure has two advertising panels). Consequently, the Billboard Exchange Rates provide the exchange rate of two-sided City-Street Billboard structures for a one-sided Freeway Bulletin structure. If a structure offered in a specific Exchange has only one advertising panel, the Billboard Exchange Rate would change.

As described in the Schedules 2-A and 2-B Overview section above, due to the interdependence of the *Return on Relocation Costs* and the *Billboard Exchange Rate*, the Billboard Exchange Rates in Schedules 2-A and 2-B are calculated until they are equivalent to the Billboard Exchange Rates in Schedules 3-5. However, in some cases, the rate may differ by one structure as we are assuming demolition of a two panel structure and erection of a single panel structure.

CONCLUSION AND DISCUSSION

The table below summarizes the conclusions of the estimated Billboard Exchange Rates from Schedules 3-5. These Billboard Exchange Rates assume an Exchange of two-sided City-Street Billboards for a one-sided Freeway Bulletin.

Estimated Ranges of Billboard Exchange Rates						
Type of Structure	Range for High Revenue Freeway Location			Range for Low Revenue Freeway Location		
	8-Sheets	27 (54 faces)	-	41 (82 faces)	19 (38 faces)	-
30-Sheets	4 (8 faces)	-	7 (14 faces)	3 (6 faces)	-	5 (10 faces)
City-Street Bulletins	1 (2 faces)	-	2 (4 faces)	1 (2 faces)	-	2 (4 faces)

A billboard structure may have one or two billboard panels (or "faces"). Furthermore, each face has the ability to generate revenue. The above exchange rate represents the number of structures (each structure has two faces) necessary to exchange for a single face Freeway Bulletin.

LIMITATIONS OF THE ESTIMATED BILLBOARD EXCHANGE RATES

These estimated ranges of the Billboard Exchange Rate may be used to analyze the potential number of City-Street Billboards that may be removed if the City were to negotiate an Exchange. The Billboard Exchange Rate may also be used as a general point of reference against which the City may compare the reasonableness of offers for an Exchange.

It should be noted, however, that each billboard is unique and that the profitability of particular billboards vary substantially. The Estimated Billboard Exchange Rates indicated above are based on assumptions that may not be appropriate for a specific Exchange. The assumptions made in this analysis are outlined below.

- City-Street Billboards were assumed to be of average desirability and revenue-generating capability.

- The potential *Revenue* that could be generated by a Freeway Bulletin was estimated based on current advertising rates for Freeway Bulletins in Anaheim and vicinity.
- The potential *Revenue* that could be generated by a City-Street Billboard was estimated based on current advertising rates for City-Street Billboards in Anaheim and surrounding areas.
- The *Rent* expense for both the City-Street Billboards and the Freeway Bulletins was assumed to be either 15% or 30% of the *Revenue* generated by a particular billboard structure.
- Construction costs for the Freeway Bulletin were estimated based on assumptions regarding the characteristics of the typical Freeway Bulletin site.
- Demolition costs for the City-Street Billboard were estimated based on average conditions.
- SP&H assumed that billboard companies participating in an Exchange would not suffer a decreased ability to sell rotation packages of City-Street Billboards in Anaheim and neighboring areas included in the rotating package.
- SP&H assumed that billboard companies would be able to find a suitable Freeway Bulletin site with reasonable security of occupancy.

Changing any of these assumptions could significantly impact the estimated Billboard Exchange Rates for a specific Exchange. Consequently, the estimated ranges of the Billboard Exchange Rate should not be relied upon as a fairness opinion for a specific Exchange. Fairness opinions for a specific Exchange must be supported with comprehensive due diligence and financial analyses of each specific transaction.

Schedule I-A
Anaheim Billboard Ordinance
Analysis of Gross Profit for City-Street Billboards¹

	Annual				
	Revenue Per Panel ² A	Rent/ Revenue ³ B	Rent C=AxB	Agency Commission D= Ax16.67%	Gross Profit E=A-C-D
8-Sheets					
15% Rent	\$3,600	15.0%	(\$540)	(\$600)	\$2,460
30% Rent	\$3,600	30.0%	(\$1,080)	(\$600)	\$1,920
30-Sheets					
15% Rent	\$32,400	15.0%	(\$4,860)	(\$5,401)	\$22,139
30% Rent	\$32,400	30.0%	(\$9,720)	(\$5,401)	\$17,279
Bulletins					
15% Rent	\$120,000	15.0%	(\$18,000)	(\$20,004)	\$81,996
30% Rent	\$120,000	30.0%	(\$36,000)	(\$20,004)	\$63,996

Note 1: See Schedule I-A Overview section of the report for an explanation of the assumptions and the methodology.

Note 2: Revenue per panel reflects the typical advertising rate for each billboard panel, based on SP&H research.

Note 3: Based on SP&H's research, the rent paid by billboard companies varies substantially from billboard structure to billboard structure and is typically between 15% to 30% of the revenue generated by a particular structure.

**Schedule 1-B
Anaheim Billboard Ordinance
Analysis of Gross Profit for Freeway Bulletins¹**

Rent Range ³	Annual					
	Net Revenue Per Panel ⁴ A	Rent/Revenue ³ B	Rent C=AxB	Agency Comm. ⁴ D= Ax16.67%	Return on Relocation Costs ² E	Gross Profit F=A-B-C-D-E
For 8-Sheet Exchange Rate						
<u>High Revenue Location</u>						
15% Rent	\$360,000	15.0%	(\$54,000)	(\$60,012)	(\$88,800)	\$157,188
30% Rent	\$360,000	30.0%	(\$108,000)	(\$60,012)	(\$61,800)	\$130,188
<u>Low Revenue Location</u>						
15% Rent	\$264,000	15.0%	(\$39,600)	(\$44,009)	(\$67,200)	\$113,191
30% Rent	\$264,000	30.0%	(\$79,200)	(\$44,009)	(\$47,400)	\$93,391
For 30-Sheet Exchange Rate²						
<u>High Revenue Location</u>						
15% Rent	\$360,000	15.0%	(\$54,000)	(\$60,012)	(\$30,000)	\$215,988
30% Rent	\$360,000	30.0%	(\$108,000)	(\$60,012)	(\$22,800)	\$169,188
<u>Low Revenue Location</u>						
15% Rent	\$264,000	15.0%	(\$39,600)	(\$44,009)	(\$25,200)	\$155,191
30% Rent	\$264,000	30.0%	(\$79,200)	(\$44,009)	(\$20,400)	\$120,391
For Bulletin Exchange Rate²						
<u>High Revenue Location</u>						
15% Rent	\$360,000	15.0%	(\$54,000)	(\$60,012)	(\$18,400)	\$227,588
30% Rent	\$360,000	30.0%	(\$108,000)	(\$60,012)	(\$15,800)	\$176,188
<u>Low Revenue Location</u>						
15% Rent	\$264,000	15.0%	(\$39,600)	(\$44,009)	(\$18,400)	\$161,991
30% Rent	\$264,000	30.0%	(\$79,200)	(\$44,009)	(\$15,800)	\$124,991

Note 1: See Schedule 1-B Overview section of the report for an explanation of the assumptions and the methodology.

Note 2: Per Schedules 2-A and 2-B.

Note 3: See Note 3 on Schedule 1-A.

Note 4: Net Revenue per panel reflects the typical advertising rate for each billboard panel after agency's commission has been deducted, based on SP&H industry research.

Schedule 2-A
 Anaheim Billboard Ordinance
 Development of Return on Relocation Costs
 Assuming Freeway Bulletin at a High Revenue Location¹

Relocation Costs	Types of Billboard Structures		
	8-Sheets	30-Sheets	City-Street Bulletins
Construction Cost ²	\$50,000	\$50,000	\$50,000
Site Selection Costs ³	\$16,000	\$16,000	\$16,000
Demolition Cost ⁴	\$9,000	\$12,000	\$13,000
Billboard Exchange Rate ⁵	42.00	7.00	2.00
	\$378,000	\$84,000	\$26,000
Total Relocation Costs	\$444,000	\$150,000	\$92,000
Required Rate of Return	20%	20%	20%
Annual Return on Relocation Costs	\$88,800	\$30,000	\$18,400

Relocation Costs	Types of Billboard Structures		
	8-Sheets	30-Sheets	City-Street Bulletins
Construction Cost ²	\$50,000	\$50,000	\$50,000
Site Selection Costs ³	\$16,000	\$16,000	\$16,000
Demolition Cost ⁴	\$9,000	\$12,000	\$13,000
Billboard Exchange Rate ⁵	27.00	4.00	1.00
	\$243,000	\$48,000	\$13,000
Total Relocation Costs	\$309,000	\$114,000	\$79,000
Required Rate of Return	20%	20%	20%
Annual Return on Relocation Costs	\$61,800	\$22,800	\$15,800

Note 1: See Schedule 2-A & 2-B Overview in the report for an explanation of the methodology and assumptions.
 Note 2: The "Construction Cost" represents the cost to erect a Freeway Bulletin. It should be noted that this analysis assumes that a hypothetical Freeway Bulletin would only have 1 panel. If a billboard company negotiated an Exchange where it could construct a Freeway Bulletin with 2 panels, this cost may increase.
 Note 3: Represents the cost to find and negotiate a lease for a Freeway Bulletin Site.
 Note 4: Represents the cost to demolish a City-Street Billboard structure.
 Note 5: SP&H has rounded up the Billboard Exchange Rate, so it reflects the number of structures (two faces) that needs to be demolished.

Schedule 2-B
 Anaheim Billboard Ordinance
 Development of Return on Relocation Costs
 Assuming Freeway Bulletin at a Low Revenue Location¹

Relocation Costs	Types of Billboard Structures		
	8-Sheets	30-Sheets	City-Street Bulletins
Construction Cost ²	\$50,000	\$50,000	\$50,000
Site Selection Costs ³	\$16,000	\$16,000	\$16,000
Demolition Cost ⁴	\$9,000	\$12,000	\$13,000
Billboard Exchange Rate ⁵	30.00	5.00	2.00
	<u>\$270,000</u>	<u>\$60,000</u>	<u>\$26,000</u>
Total Relocation Costs	\$336,000	\$126,000	\$92,000
Required Rate of Return	20%	20%	20%
Annual Return on Relocation Costs	8-Sheets \$67,200	30-Sheets \$25,200	Bulletins \$18,400

Relocation Costs	Types of Billboard Structures		
	8-Sheets	30-Sheets	City-Street Bulletins
Construction Cost ²	\$50,000	\$50,000	\$50,000
Site Selection Costs ³	\$16,000	\$16,000	\$16,000
Demolition Cost ⁴	\$9,000	\$12,000	\$13,000
Billboard Exchange Rate ⁵	19.00	3.00	1.00
	<u>\$171,000</u>	<u>\$36,000</u>	<u>\$13,000</u>
Total Relocation Costs	\$237,000	\$102,000	\$79,000
Required Rate of Return	20%	20%	20%
Annual Return on Relocation Costs	8-Sheets \$47,400	30-Sheets \$20,400	Bulletins \$15,800

Note 1: See Schedule 2-A.
 Note 2: See Schedule 2-A.
 Note 3: See Schedule 2-A.
 Note 4: See Schedule 2-A.
 Note 5: See Schedule 2-A.

Schedule 3
 Anaheim Billboard Ordinance
 Development of Billboard Exchange Rates for 8-Sheets¹

Freeway Bulletin to 8-Sheet Exchange Rate Range Assuming High Revenue Freeway Bulletin Location		
	<u>Lower</u>	<u>Upper</u>
Fwy. Bulletin Gross Profit (Per Schedule 1-B)	\$130,188	\$157,188
8-Sheet Gross Profit (Per Schedule 1-A)	<u>\$2,460</u>	<u>\$1,920</u>
8-Sheet Panels Required For Exchange	53.0	82.0
Panels per Structure	/ <u>2</u>	/ <u>2</u>
Billboard Exchange Rate (Rounded)	<u>27</u>	- <u>41</u>

Freeway Bulletin to 8-Sheet Exchange Rate Range Assuming Low Revenue Freeway Bulletin Location		
	<u>Lower</u>	<u>Upper</u>
Fwy. Bulletin Gross Profit (Per Schedule 1-B)	\$93,391	\$113,191
8-Sheet Gross Profit (Per Schedule 1-A)	<u>\$2,460</u>	<u>\$1,920</u>
8-Sheet Panels Required For Exchange	38.0	59.0
Panels per Structure	/ <u>2</u>	/ <u>2</u>
Billboard Exchange Rate (Rounded)	<u>19</u>	- <u>30</u>

Note 1: See Schedules 3-5 Overview for a description of our methodology and assumptions.

Schedule 4
Anaheim Billboard Ordinance
Development of Billboard Exchange Rates for 30-Sheets¹

Freeway Bulletin to 30-Sheet Exchange Rate Range Assuming High Revenue Freeway Bulletin Location		
	<u>Lower</u>	<u>Upper</u>
Fwy. Bulletin Gross Profit (Per Schedule 1-B)	\$169,188	\$215,988
30-Sheet Gross Profit (Per Schedule 1-A)	<u>\$22,139</u>	<u>\$17,279</u>
30-Sheet Panels Required For Exchange	8.0	13.0
Panels per Structure	<u>2</u>	<u>2</u>
Billboard Exchange Rate (Rounded)	<u>4</u>	<u>7</u>

Freeway Bulletin to 30-Sheet Exchange Rate Range Assuming Low Revenue Freeway Bulletin Location		
	<u>Lower</u>	<u>Upper</u>
Fwy. Bulletin Gross Profit (Per Schedule 1-B)	\$120,391	\$155,191
30-Sheet Gross Profit (Per Schedule 1-A)	<u>\$22,139</u>	<u>\$17,279</u>
30-Sheet Panels Required For Exchange	5.0	9.0
Panels per Structure	<u>2</u>	<u>2</u>
Billboard Exchange Rate (Rounded)	<u>3</u>	<u>5</u>

Note 1: See Schedules 3-5 Overview for a description of our methodology and assumptions.

Schedule 5
Anaheim Billboard Ordinance
Development of Billboard Exchange Rates for City-Street Bulletins¹

Freeway Bulletin to City-Street Bulletin Exchange Rate Range Assuming High Revenue Freeway Bulletin Location		
	<u>Lower</u>	<u>Upper</u>
Fwy. Bulletin Gross Profit (Per Schedule 1-B)	\$176,188	\$227,588
City-Street Bulletin Gross Profit (Per Schedule 1-A)	<u>\$81,996</u>	<u>\$63,996</u>
City-Street Bulletin Panels Required For Exchange ¹	2.0	4.0
Panels per Structure	/	/
	<u>2</u>	<u>2</u>
Billboard Exchange Rate (Rounded)	<u>1</u>	<u>2</u>

Freeway Bulletin to City-Street Bulletin Exchange Rate Range Assuming Low Revenue Freeway Bulletin Location		
	<u>Lower</u>	<u>Upper</u>
Fwy. Bulletin Gross Profit (Per Schedule 1-B)	\$124,991	\$161,991
City-Street Bulletin Gross Profit (Per Schedule 1-A)	<u>\$81,996</u>	<u>\$63,996</u>
City-Street Bulletin Panels Required For Exchange ¹	2.0	3.0
Panels per Structure	/	/
	<u>2</u>	<u>2</u>
Billboard Exchange Rate (Rounded)	<u>1</u>	<u>2</u>

Note 1: See Schedules 3-5 Overview for a description of our methodology and assumptions.

Schedule 6
Anaheim Billboard Ordinance
Summary of Estimated Board Exchange Rates

Board Exchange Rates	Range for High Revenue Freeway Location		Range for Low Revenue Freeway Location	
	Lower	Upper	Lower	Upper
8-Sheets	27 (54 faces)	41 (82 faces)	19 (38 faces)	30 (60 faces)
30-Sheets	4 (8 faces)	7 (14 faces)	3 (6 faces)	5 (10 faces)
Bulletins	1 (2 faces)	2 (4 faces)	1 (2 faces)	2 (4 faces)

Note: A billboard structure may have one or two billboard panels (or "faces"). Furthermore, each face has the ability to generate revenue. The above exchange rate represents the number of structures (each structure has two faces) necessary to exchange for a one face Freeway Bulletin.

Schedule 6
 Anaheim Billboard Ordinance
 Summary of Estimated Board Exchange Rates

Board Exchange Rates	Range for High Revenue Freeway Location		Range for Low Revenue Freeway Location	
	Lower	Upper	Lower	Upper
8-Sheets	27 (54 faces)	41 (82 faces)	19 (38 faces)	30 (60 faces)
30-Sheets	4 (8 faces)	7 (14 faces)	3 (6 faces)	5 (10 faces)
Bulletins	1 (2 faces)	2 (4 faces)	1 (2 faces)	2 (4 faces)

Note: A billboard structure may have one or two billboard panels (or "faces"). Furthermore, each face has the ability to generate revenue. The above exchange rate represents the number of structures (each structure has two faces) necessary to exchange for a one face Freeway Bulletin.

Exhibit 1
Anaheim Billboard Ordinance
Freeway Bulletin Rates - Orange County Vicinity

Actual Billboard Quotes - Single Panel

<u>Location</u>	<u>Gross Rate (4 wks)</u>	<u>City</u>	<u>Size</u>	<u>Area</u>	<u>Rate/ Area</u>	<u>Area x Avg. Rate/ Area</u>	<u>DEC</u>
Orange Fwy West Lane South of Pomona	\$47,100	Walnut	20 x 60	1,200	39.25	\$40,287	118.4
Orange Fwy West Lane South of Chapman	\$47,100	Fullerton	14 x 48	672	70.09	\$22,561	126.5
Artesia Fwy North Lane West of Alameda	\$17,700	Compton	14 x 48	672	26.34	\$22,561	151.7
Artesia Fwy North Lane 1 West of Lakewood #4	\$11,700	Bellflower	14 x 48	672	17.41	\$22,561	170.2
22 Garden Grove Fwy South Lane at Hesperian	\$28,500	Santa Ana	18 x 48	864	32.99	\$29,007	150.1
57 Orange Fwy East Lane North of E. Katella Ave.	\$39,000	Anaheim	20 x 60	1,200	32.50	\$40,287	168.0
22 Garden Grove Fwy at Bristol Ave.	\$28,500	Santa Ana	18 x 48	864	32.99	\$29,007	150.1
91 Riverside Fwy at Green River East Face	\$25,000	Corona	14 x 48	672	37.20	\$22,561	177.1
57 Orange Fwy at Katella South Face	\$30,000	Anaheim	20 x 60	1,200	25.00	\$40,287	168.0
57 Orange Fwy at Santa Ana River South Face	\$30,000	Santa Ana	14 x 48	672	44.64	\$22,561	168.0
22 Garden Grove Fwy at Bristol East Face	\$18,000	Santa Ana	18 x 48	864	20.83	\$29,007	150.1
5 Santa Ana Fwy at Rosecrans North Face	\$15,000	Santa Ana	18 x 48	864	17.36	\$29,007	165.1

Billboard Rate Estimates - Single Panel

<u>Location</u>	<u>Gross Rate (4 wks)</u>	<u>City</u>	<u>Size</u>	<u>Area</u>	<u>Rate/ Area</u>	<u>Area x Avg. Rate/ Area</u>	<u>DEC</u>
Estimated Range - Low	\$12,000	Anaheim	14 x 48	672	17.86	\$22,561	--
High	\$50,000	Anaheim	14 x 48	672	74.40	\$22,561	--
Estimated Range - Low	\$9,000	Anaheim	14 x 48	672	13.39	\$22,561	--
High	\$20,000	Anaheim	14 x 48	672	29.76	\$22,561	--
Estimate	\$22,200	Anaheim	14 x 48	672	33.04	\$22,561	--

Average 33.57 \$27,200 152.4

Previous Report Data (2003)

<u>Location</u>	<u>Gross Rate(4 wks)</u>
57 Orange Fwy at Douglas	\$29,000
57 Orange Fwy at Douglas	\$29,500
57 Orange Fwy at Katella	\$28,000
91 Riverside Fwy at White Star	\$13,900
91 Riverside Fwy at White Star	\$13,800
91 Riverside Fwy at White Star	\$15,000
57 Orange Fwy at Katella	\$30,000
57 Orange Fwy at Ball Road	\$28,000
57 Orange Fwy at Ball Road	\$28,000
57 Orange Fwy at 91 Riverside Fwy	\$27,000

Sources: Based on quotes and estimates provided by billboard companies, advertising media representatives, and billboard brokers.

Exhibit 2
Anaheim Billboard Ordinance
City Street Bulletin Rates - Orange County Vicinity

Billboard Rate Estimates - Single Panel		Gross Rate		Area x Avg.		
Location	City	Size	Area	Rate/ Area	Rate/ Area	DEC
Estimated Range - Low	Anaheim	14 x 48	672	11.90	\$10,040	--
High	Anaheim	14 x 48	672	17.86	\$10,040	--
Estimated Range - Low	Anaheim	14 x 48	672	11.90	\$10,040	--
High	Anaheim	14 x 48	672	17.86	\$10,040	--
Estimate	Anaheim	14 x 48	672	15.18	\$10,040	--
Average				14.94	\$10,000	

Previous Report Data (2003)

Location	Gross Rate
	(4 wks)
Brookhurst at Lincoln	\$10,100
Brookhurst at Lincoln	\$10,100
Euclid at Lincoln	\$10,900
Lincoln at Brookhurst	\$11,000
Magnolia at La Palma	\$10,900
Lincoln at Magnolia	\$7,500

Sources: Based on estimates provided by billboard companies, advertising media representatives, and billboard brokers.

Exhibit 3
Anaheim Billboard Ordinance
City Street 30-Sheet Rates - Orange County Vicinity

Actual Billboard Quotes - Single Panel

<u>Location</u>	<u>Gross Rate (4 wks)</u>	<u>City</u>	<u>Size</u>	<u>Area</u>	<u>Rate/ Area</u>	<u>Area x Avg. Rate/ Area</u>	<u>DEC</u>
Arrow Hwy South Lane East of Valley	\$1,500	Baldwin Park	12 x 24	288	5.21	\$2,902	14
Mission North Lane East of Monte Vista	\$750	Ontario	10 x 24	240	3.13	\$2,418	18
Mission North Lane East of Monte Vista	\$900	Ontario	10 x 24	240	3.75	\$2,418	18
Central EL 900' North of Monte Vista	\$900	Ontario	10 x 24	240	3.75	\$2,418	26
Imperial North Lane East of Camenita	\$900	Whittier	10 x 24	240	3.75	\$2,418	34
Imperial North Lane East of Camenita	\$900	Whittier	10 x 24	240	3.75	\$2,418	34
Kraemer North of La Palma	\$6,000	Anaheim	12 x 24	288	20.83	\$2,902	51
Orangethrope West of St. College	\$6,000	Fullerton	12 x 24	288	20.83	\$2,902	40

Billboard Rate Estimates - Single Panel

<u>Location</u>	<u>Gross Rate (4 wks)</u>	<u>City</u>	<u>Size</u>	<u>Area</u>	<u>Rate/ Area</u>	<u>Area x Avg. Rate/ Area</u>	<u>DEC</u>
Estimate	\$4,000	Anaheim	12 x 24	288	13.89	\$2,902	--
Estimate	\$4,200	Anaheim	12 x 24	288	14.58	\$2,902	--
Estimate	\$5,000	Anaheim	12 x 24	288	17.36	\$2,902	--

Average 10.08 \$2,700 29

Previous Report Data (2003)

<u>Location</u>	<u>Gross Rate (4 wks)</u>
Anaheim	\$540
Anaheim	\$540

Sources: Based on quotes and estimates provided by billboard companies, advertising media representatives, and billboard brokers.

Exhibit 4
Anaheim Billboard Ordinance
City Street 8-Sheet Rates - Orange County Vicinity

Actual Billboard Quotes - Single Panel									
Location	Gross Rate (4 wks)	Net Rate (4 wks)	City	Size	Area	Rate/ Area	Rate/ Area	Net Area x Avg. Rate/ Area	DEC
Orange County	\$274	\$228	Anaheim	6 x 12	72	3.80	3.80	\$333	--
Orange County	\$245	\$204	Anaheim	6 x 12	72	3.40	3.40	\$333	--
Orange County	\$480	\$400	Anaheim	6 x 12	72	6.67	6.67	\$333	--
						Average (Rounded)		\$300	

Previous Report Data (2003)

Location	Gross Rate
Anaheim	\$135
Anaheim	\$400

Source: Based on quotes provided by billboard companies.

APPRAISERS CERTIFICATION AND CONTINGENT AND LIMITING CONDITIONS

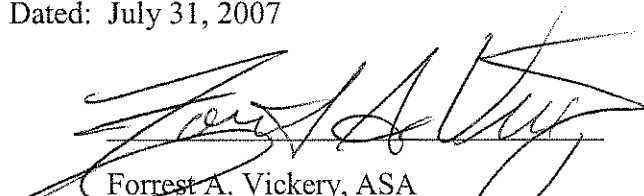
The appraisers whose signatures appear below certify that except as otherwise noted in this report and to the best of our knowledge and belief that:

1. The statements of fact contained in this report are true and correct to the best of Sanli Pastore & Hill, Inc. (SP&H) and its staff members' knowledge and belief. No matters affecting the conclusions have been knowingly withheld or omitted.
2. The general framework (the "Framework") that can be used to evaluate the required terms of a billboard exchange and the estimated number of City-Street Billboards that would be required in exchange for a Freeway Bulletin (the "Billboard Exchange Rate") is limited only by the reported assumptions and limiting conditions, and our personal, unbiased professional analyses, opinions, and conclusions.
3. We, jointly or separately, have no contemplated present or prospective interest in the sale of the billboard companies operating in Anaheim, the existing City-Street Billboards or the existing Freeway Bulletins located in Anaheim, or any other capital interests related to the parties involved, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation for the development of the Framework and the estimated ranges of the Billboard Exchange Rate is not contingent on any action or event resulting from the analyses, opinions or conclusions in, or use of, these analyses.
5. No one provided significant professional assistance in developing the Framework, or estimating the ranges of the Billboard Exchange Rate to the persons signing this report.
6. No responsibility can be taken by SP&H for the inability of the City to realize at any time an Exchange based on the Framework or the estimated Billboard Exchange Rates.
7. This report and its conclusions are subject to review of data which was undisclosed or was not made available to SP&H as of the date of this report.
8. SP&H was not provided with any actual financial information on the billboard companies operating in Anaheim, California, or the billboards located in Anaheim, which are the subjects of these analyses. In developing the Framework and the estimated Billboard Exchange Rates, we relied upon our experience providing financial fairness opinions, financial analyses and

valuing more than a thousand businesses, and any other data that we could obtain at a reasonable cost and in a confidential manner.

9. No responsibility is assumed for matters legal in nature nor is any opinion rendered as to titles, which are assumed to be good.
10. The fee for these analyses does not contemplate appearance in court or before other governmental agencies as an expert witness. However, the appraisers will appear if prior arrangements are made. Expert witness testimony will be compensated for at the appraisers' professional fee rates.
11. Neither all nor any part of these analyses, particularly as to the conclusions and the identity of SP&H and its staff members, shall be conveyed to the public through advertising, public relations, news or other media without the prior written consent of SP&H.
12. The date of value utilized in our analyses is July 31, 2007. The use of a different date of value could substantially impact the opinions herein.
13. Nothing herein shall be construed as appraisal opinions or fairness opinion for a specific Exchange, settlement, transaction, or court testimony with respect to the fairness of any specific Exchange.
14. Acceptance and/or use of these analyses constitute acceptance of the foregoing general assumptions and limiting conditions.
15. These analyses are for a potential City of Anaheim ordinance regarding possible exchanges of billboards located on city-streets for billboards located on a freeway in Anaheim, California. The purpose of these analyses is to provide the City with: (1) a general framework that can be used to evaluate the required terms of an Exchange; and (2) estimated ranges of the Billboard Exchange Rate. The function of these analyses is to assist the City with internal planning.

Dated: July 31, 2007



Forrest A. Vickery, ASA
Manager Director- Northern California
SANLI PASTORE & HILL, INC.
a California Corporation