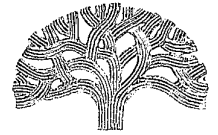


CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator

(510) 238-3301
FAX (510) 238-2223
TDD (510) 238-2007

March 28, 2013

*Via First Class mail and Electronic
Mail [D4DirectorAssistant@dot.ca.gov / Bijan_sartipi@dot.ca.gov]*

Mr. Bijan Sartipi
District Director
State of California
Department of Transportation, District 4
111 Grand Avenue
Oakland, CA 94623-0660

***Re: Proposed Amendment to Purchase Agreement and Agreement
Regarding Billboards***

Dear Mr. Sartipi:

Thank you for taking time last month to meet with representatives from the City of Oakland, the Prologis CCIG Oakland Global, LLC team and Foster Interstate Media to discuss the proposed billboards to be constructed along the northern border of the City's Gateway/Oakland Global project. The City's revenue under the billboard agreements will assist the City in funding the public improvements for the Gateway/Oakland Global project and the related community benefits package agreed to with the community stakeholders.

As discussed, two of the proposed City billboards are located on property that is the subject of the Purchase and Sale Agreement, dated May 23, 2005, between the City of Oakland and the State of California, Department of Transportation (the "Purchase Agreement"), which agreement has expired by its terms. That said, the City proposes to amend the Purchase Agreement to extend the closing date to permit the parties to proceed with the substance of the original transactions, amended to incorporate certain mutually beneficial provisions related to the billboards.

This letter sets forth the following basic terms and conditions under which the City would be prepared to enter into an amendment to the Purchase Agreement:

Proposed Amendment to Purchase & Billboard Agreements

1. Background Information.

a. Purchase Agreement. A copy of the Purchase Agreement is attached for your convenience as Exhibit 1. The Purchase Agreement contemplated, among other matters, two (2) primary transactions: (i) the transfer of approximately 6.5 acres of real property from the City to the State (see Exhibit 2, the "City Parcel") and (ii) the State's quitclaim to the City of certain property rights located along the southern border of 22nd Street (the "Former ROW"). The designated closing date for these transfers was August 7, 2006, however, the transactions were not completed by that date.

b. Approved Billboards. The approved Gateway/Oakland Global project includes five (5) billboards to be located as set forth in Exhibit 3. Exhibit 3 also includes conceptual drawings/specifications related to the billboards. The billboards designated as Billboards No. 1 and No. 2 are located on the City Parcel.

c. Existing Agreements. The City, the Oakland Redevelopment Successor Agency ("ORSA") and Prologis CCIG Oakland Global, LLC ("Developer") have entered into that certain Billboard Franchise and Lease Agreement, dated October 23, 2012, regarding the development and operation of the approved billboards (the "Franchise Agreement"). In turn, Developer and Foster Interstate Media, Inc. ("Foster") have entered into that certain Billboard Sublease Agreement, dated October 23, 2012, regarding Developer's rights under the Franchise Agreement (the "Sublease"), which agreement has been consented to by the City pursuant to a Subordination, Attornment and Non-Disturbance Agreement executed by the City, Developer and Foster. Copies of the Franchise Agreement and Sublease have been forwarded to you under separate cover. Under the Franchise Agreement and Sublease, Developer and Foster are responsible for obtaining permits for and the construction and operation of the billboards and, subject to a minimum annual guaranteed rent, the net advertising revenues are allocated as follows:

1. City: 30%;
2. Developer: 10%; and
3. Foster: 60%.

2. Proposal. As discussed at our meeting, the City proposes to amend the Purchase Agreement to provide as follows:

a. Closing Date. Extend the closing date under the Purchase Agreement to May 2013 to permit the transfer of the City Parcel to the State and the quitclaim of the Former ROW to the City.

b. City Parcel. The proposed boundaries of the City Parcel would not be amended; however, the City would be permitted to reserve an easement from the grant of the fee interest for (i) the installation, operation, repair, removal and replacement of Billboard No. 1 and related utilities and (ii) ingress and egress to such facilities. The location for

Billboard No. 2 would be relocated off of the City Parcel pursuant to Paragraph 2(c) below.

c. Alternate Site. The State would also grant the City an easement for (i) the installation, operation, repair, removal and replacement of Billboard No. 2 and related utilities and (ii) ingress and egress to such facilities at the alternate location shown on Exhibit 4 as the "CT Billboard".

d. Allocation of Net Advertising Revenues. The City, Developer and Foster would amend the Franchise Agreement and the Sublease to provide that the net advertising revenue from Billboard No. 1 and the relocated Billboard No. 2 would be allocated as follows:

i. Billboard No. 1:

- A. City: 22.5%;
- B. State: 22.5%;
- C. Developer: 5%; and
- D. Foster: 50%.

ii. Billboard No. 2:

- A. City: 10%;
- B. State: 40%;
- C. Developer: 0%; and
- D. Foster: 50%.

The **projected** annual net advertising revenues from Billboards No. 1 and 2 (based on 80% occupancy and 80% rate card) are \$905,600 and \$1,000,000, respectively. Therefore, the **projected** annual revenue to the State would be \$603,760 (\$203,760 from Billboard No. 1 and \$400,000 from Billboard No.2).

The amendments would include covenants on the part of Developer and Foster not to inappropriately direct/focus revenue to Billboards Nos. 3, 4 and 5 (and away from Billboards Nos. 1 and 2) and the State's audit right to confirm compliance with such covenants.

Further, the minimum annual rent for Billboards Nos. 1 and 2 under the existing agreements shall be allocated among the City and the State pro rata pursuant to their respective allocations of the net advertising revenue.

e. Public Use of Advertising Space and Time. The Franchise Agreement and Sublease currently provide the City with access to (i) 5% of LED rotation display time and (ii) subject to availability of vacant space/time, up to an additional 5% of LED rotation display time, each for use for public service announcements and (iii) for use for

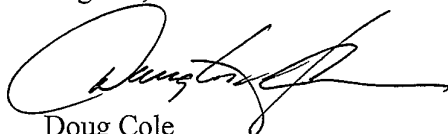
emergency/amber alert messages for a reasonable time or as required by law. The City would allocate 50% of the total time under (i) and (ii) to the State and the State would be included in the rights with respect to item (iii).

f. Permitting. Subject to (i) Developer's and Foster's obligations to prepare and submit the necessary applications and (ii) compliance with all applicable laws, the City and the State would expedite the processing of the permits that would be required from the respective agency. During the negotiation of the forms of the necessary amendments, the parties shall identify the scope of the required permits which may potentially include an amendment/removal of any landscape designation from the Billboard sites.

The terms set forth in this letter are non-binding and include some of the key terms that will be necessary for the parties to reach an agreement on an amendment to the Purchase Agreement; however, neither party shall have any obligation to the other regarding the matters set forth herein until such time as a formal, written amendment has been executed and delivered by both parties.

Please review this letter with the State team and legal counsel at your earliest convenience and contact me with any questions or comments. If the above terms are acceptable, the City will prepare drafts of the applicable documents for your further review. Approvals of the amendments to the existing agreements (including the PSA and the Billboard Franchise Agreement) must be approved by the City Council and, if necessary, the Oakland Redevelopment Successor Agency (ORSA). As discussed, the City would like to complete discussions on this matter prior to mid-April 2013.

Regards,



Doug Cole
Project Manager
Oakland Army Base

Enclosures

Cc: Fred Blackwell, Ass't City Administrator, City of Oakland, fblackwell@oaklandnet.com
Dianne Millner, Office of the City Attorney, dmillner@oaklandnet.com
John Monetta, Office of Neighborhood Investment, jmonetta@oaklandnet.com
Phil Tagami, CCIG Inc., tagami@californiagroup.com
Mark McClure, CCIG Inc., mrmclure@californiagroup.com
Marc Stice, mstice@sticeblock.com
John Foster, Foster Media, john@fosterinterstate.com
Derek Van Hoften, derek.vanhoften@dot.ca.gov
Mark Shindler, mark.shindler@dot.ca.gov
Ronald Beals, ronald_w_beals@dot.ca.gov