

MAYER • BROWN

Mayer Brown LLP
350 South Grand Avenue
25th Floor
Los Angeles, California 90071-1503

Main Tel +1 213 229 9500
Main Fax +1 213 625 0248
www.mayerbrown.com

Philip Recht
Direct Tel +1 213 229 9512
Direct Fax +1 213 576 8140
precht@mayerbrown.com

October 15, 2012

The Honorable Herb J. Wesson, Jr.
President, Los Angeles City Council
200 N. Spring Street, Rm 430
Los Angeles, CA 90012

Re: Council File No. 12-1611: Motion re: Digital
Signs Scheduled for Consideration on October 16,
2012

Dear President Wesson:

This firm represents Summit Media, LLC ("Summit"). We are writing to express our deep concern regarding a motion scheduled to be heard by the City Council at its next meeting on October 16, 2012. That motion, which was just introduced on October 10, 2012, appears to be aimed at preempting an impending judicial proceeding involving the City's much-derided digital billboard settlement agreements.

As you no doubt remember, those settlement agreements effectively gave two companies - CBS Outdoor and Clear Channel Outdoor - a monopoly on digital billboards in the City. This ultimately led to the erection of over 100 digital boards, many of which have been the subject of considerable community backlash. More than two years ago, Judge Terry Green ruled that the settlement agreements were illegal because they allowed select companies to operate signs prohibited by the City's Zoning Code. After two years of delay, the appeal of that ruling is finally scheduled to be heard on October 30, 2012, with a decision expected soon thereafter.

The motion now before the Council appears to be aimed at avoiding an appellate decision at all costs, on the purported theory that the City could face liability risk and lose a potential revenue opportunity. That is a smokescreen. The timing of this motion and the impending appellate hearing are not coincidental. The reason that CBS Outdoor and Clear Channel are trying to jam this motion through the Council now is that they know, as do most following the litigation, that the appellate court is highly likely to affirm Judge Green's ruling. CBS Outdoor's and Clear Channel's real motivation is not to protect the City, but to protect their highly lucrative digital billboard monopoly.

Indeed, regardless of the outcome of the appeal, the City does not face any liability risk. If lightning strikes and Judge Green's ruling is overturned, then the agreements will be valid and CBS Outdoor and Clear Channel will be allowed to keep their signs up. If, on the other hand, the

The Honorable Herb J. Wesson, Jr.
October 15, 2012
Page 2

appellate court acts as expected and affirms the illegality of the settlement agreements, there are two potential scenarios, both of which are highly advantageous to the City.

One, the appellate court could revoke the existing digital sign permits since they rely on the illegal settlement agreements. If that happens, the City has no choice but to comply with the Court's order, and CBS Outdoor and Clear Channel will have no basis to seek damages against the City. Two, the appellate court could allow the City to decide the fate of the permits. In that scenario, even if the City were to revoke the permits and face a lawsuit from CBS Outdoor and Clear Channel on a purported "vested rights" argument, the City could insulate itself from any potential financial liability by allowing CBS Outdoor and Clear Channel to continue operating their signs until that lawsuit is resolved. Put simply, the City does not face liability risk under any scenario.

At the same time, both scenarios are highly advantageous to the City. In either, the City will be rid of the illegal and controversial settlement agreements and the slate will be wiped clean, allowing the City, if it so desires, to come up with a new ordinance that applies equally to all sign operators and that allows a reasonable number of digital conversions in non-residential areas as long as there is appropriate revenue sharing with the City.

Moreover, the City's leverage will be greatly strengthened. Right now, the City has little leverage to require meaningful revenue-sharing on the more than 100 digital billboards that CBS Outdoor and Clear Channel already erected in the City. But with a Court order revoking their permits, or an order voiding the settlement agreements on which the permits are based, the City will have great leverage to require revenue-sharing on all the digital billboards that the City chooses to allow. CBS Outdoor and Clear Channel know this full well. That is why they are rushing to preempt the appellate decision and fast-track this motion through the Council.

The truth is the City is under no time pressure to act. The future framework for digital billboards requires thoughtful consideration by the Planning Commission and the various stakeholders, as well as a CEQA analysis. As past experience has shown, a rushed and unfair backroom deal will not lead to a successful outcome. It will lead to a whole new round of litigation as residents, neighborhood organizations and other sign companies and stakeholders again rise up in outrage. Read the motion carefully. Like the illegal agreements of the past, it proposes a working group that includes only the companies that are party to the illegal settlement agreements (e.g., CBS Outdoor and Clear Channel), while excluding other sign companies, affected residents and community stakeholders.

The Honorable Herb J. Wesson, Jr.
October 15, 2012
Page 3

We urge you not to repeat the mistakes of the past. Let the appellate process run its course, and then with added leverage, sit down with all the stakeholders and come up with a reasonable solution that addresses the community's concerns and allows the City to share in the revenues. Please vote "no" on this motion tomorrow.

Sincerely,



Philip Recht

cc: Honorable Members of the Los Angeles City Council