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**NARRATIVE APPRAISAL PRESENTED
IN A SUMMARY FORMAT**

Mountain Park Chevron
2 Monroe Parkway
Lake Oswego, Oregon 97035-1431

Client Project #07-793 OR

PREPARED FOR:

Umpqua Bank, Real Estate Valuation Services
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Report Date: March 12, 2008

File: OR-CLK-0028



March 12, 2008

Umpqua Bank, Real Estate Valuation Services
c/o Gregory M. Lowes, Vice President
6610 SW Cardinal Lane, Suite 200
Tigard, Oregon 97224-7180

RE: Umpqua Bank, File #07-793 OR
Appraisal of the Mountain Park Chevron

Dear Mr. Lowes,

At your request we have prepared an appraisal of the Chevron-branded retail gas station and convenience store located at 2 Monroe Parkway in Lake Oswego, Oregon. The purpose of this appraisal is to estimate the fee-simple market value of the subject real estate on an as-is basis as of February 18, 2008, which was the date of our last inspection of the property. This appraisal also has as its purpose estimating the fee-simple market value of the subject property on an as-proposed basis as of August 1, 2008, assuming completion of the proposed reconstruction, and as of the anticipated date of stabilization of December 31, 2009.

The enclosed appraisal consists of several distinct parts. The Appraisal Parameters section identifies all of the critical parameters that define the context, assumptions and limiting conditions, and scope of the valuation assignment. It also includes an important copyright warning. We strongly recommend that that section be your first stop in reading the report.

The addendum contains a substantial number of supporting documents. Most of them are provided for general reference purposes and do not require in-depth reading. They are useful if you should have questions about our interpretation/reading of them, or if you wish to dig more deeply into them than our summary report provides.

The one section in the addendum that unconditionally deserves your attention is the Subject Exhibits section. Those exhibits provide significant assistance in understanding the nature of the property we have appraised. After all, a picture is worth a thousand words and the enclosed report is a summary report.



Attn: Gregory M. Lowes
March 12, 2008
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If you are not familiar with the petroleum marketing industry, there are a couple of other sections in the addendum that you should peruse before digging further into the report. The Petroleum Industry Glossary will help you to better understand a number of industry-specific terms, while the Petroleum Industry Analysis will help you understand some key issues that are impacting the industry.

The actual appraisal report is broken down into a market/trade area analysis, property description, competing stations analysis, operations analysis/pro forma development, and the valuation analyses. The report is laid out in this manner to most efficiently describe the property, the market in which it competes on a day-to-day basis, and to understand why the property has (or possibly has not) met with historical operational success. All of this is foundational for the valuation of the property.

Thank you for the opportunity to serve your valuation needs. If there is anything we can do to be of further assistance, please call us promptly so that we may help. If you have any suggestions as to how we can improve on our service or our appraisal reports, please do not hesitate to share those ideas.

Sincerely,

Petroleum Realty Advisors, Inc.

Christopher Gaskins, MAI, Broker, President

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Copyright Notification

Notice

Petroleum Realty Advisors exclusively specializes in providing valuation and brokerage services of petroleum marketing assets in the Pacific Northwest. We have invested substantial professional resources to provide our clients with the highest quality valuation and consulting services possible. Because of this, the attached appraisal is a fully copyrighted document, with all copyrights held exclusively by Petroleum Realty Advisors, Inc.

No part of the appraisal may be copied, nor may the entire report be copied, without the express written consent of the report's signatories. Violation of the copyrights held by Petroleum Realty Advisors will be prosecuted aggressively in a court of law.

Licensing Basis

This report is provided for use on a limited-use licensing basis, for the purpose identified in the report, and is not a work for hire.

Submission To Copyright Office

In order to maximize copyright protections and damages claims afforded under Federal law, a copy of this report has been published and submitted to the United States Copyright Office, along with Form TX and the required submission fee.

Delivery to Third Parties

If this appraisal should be delivered to a third party for review purposes, the client must notify Petroleum Realty Advisors of such immediately. Any person or company reviewing this appraisal is expressly forbidden from copying, plagiarizing, or otherwise using the contents of this appraisal to harm the business interests of Petroleum Realty Advisors in any manner.

Appraisal Parameters

Executive Summary

Nature of Appraised Property	Existing Chevron-branded gas station and convenience store, with proposed renovations and a proposed car wash
Property Address	2 Monroe Parkway Lake Oswego, Oregon 97035-1431
Assessor's Identification	Clackamas County, map 2S-1E-5AA, lot 400, account R00205343

Effective Dates of Value

As Is	February 18, 2008
As Proposed	August 1, 2008 (per borrower's planned time frame)
At Stabilization	December 31, 2009

Value Conclusions

As Is	\$1,050,000
At Completion	\$2,500,000
At Stabilization	\$2,500,000

USPAP-Required Disclosures

Client Identification

Institution Umpqua Bank, Real Estate Valuation Services
6610 SW Cardinal Lane, Suite 200
Tigard, Oregon 97224-7180

Engagement Contact Gregory M. Lowes, Vice President
Phone: (503) 598-5674
Fax: (503) 968-0711

Intended Use The intended use of this appraisal is to assist the intended users in establishing the market value of the collateral to be pledged as support for a contemplated federally regulated transaction involving a security interest in the subject real property.

Intended User

- (1) Umpqua Bank;
- (2) Any and all subsidiaries of Umpqua Bank;
- (3) Any Federally insured lending institution that may participate in a loan secured by the collateral;
- (4) The Small Business Administration.

Possession of this report, in part or in toto, does not make the holder an intended user.

Type of Value Estimated Market value

Definition of Value

This appraisal is based on the following definition of market value, as defined in the Code of Federal Regulations, Title 12, Part 323, Section 2 (12CFR323.2):

“Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

Interest Appraised

Fee simple

Property Conditions Appraised

As is, as found at the time of our inspection, and as-proposed, assuming completion of the proposed renovations

Valuation Context

Current, under present market conditions

Report Format

Summary

Date of Report Publication

March 12, 2008

Data Retention

All data and analyses that support our value conclusions shall remain in our work file and will be retained for at least five years following the identified effective date of value.

Appraiser

Christopher Gaskins, MAI, Broker

FIRREA Requirements and Compliance

Requirements

On June 7, 1994, the Federal Reserve Board, Office of the Comptroller of the Currency, Office of Thrift Supervision, and the Federal Deposit Insurance Corporation (collectively, “the agencies”) published in the Federal Register amendments to their real estate appraisal regulations that were intended to reduce the regulatory burden on lending institutions. The original 14 points from Title XI that outlined minimal appraisal standards were reduced to five basic points. For federally-related transactions, all appraisals must now minimally meet the following requirements:

1. Conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice.
2. Be written and contain sufficient information and analysis to support the institution's decision to engage in the transaction.
3. Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract development with unsold units.
4. Be based upon a specific definition of market value.
5. Be performed by state-licensed or certified appraisers.

Compliance

1. We have made our best efforts to make this appraisal fully compliant with the current edition of the Uniform Standards of Professional Appraisal Practice.
2. This appraisal has been prepared and written with the full intention of providing Umpqua Bank with all necessary information and analyses to support their decision of whether or not to originate a loan secured by a petroleum marketing asset. Petroleum Realty Advisors, Inc. exclusively specializes in the valuation of and consulting on petroleum marketing assets in the Pacific Northwest. As such, the company is both uniquely positioned and highly qualified to provide the industry-specific market data, information, and analyses necessary for the client to render an informed business decision.
3. We have made no deductions or discounts in the course of our appraisal.
4. Our appraisal has been prepared based upon the FIRREA-required definition of market value, which is the same definition that appears on Page AP-3 and in the addendum under the Appraisal Definitions tab.
5. Christopher Gaskins, the sole signatory of this report, is a state-certified general appraiser in Oregon and Washington, and a state-certified broker in Oregon.

Assumptions and Limiting Conditions

Unique to This Report

1. We assume environmental issues will not impede the proposed reconstruction or impact the project's costs.
2. We assume there are no easements present, recorded or otherwise, that would keep the proposed construction from being completed and the proposed improvements from being operated to their full potential.

Specific to Petroleum Marketing

1. All storage tanks and related fueling equipment are assumed to be in operational condition, free from defect, and in full compliance with all local, state, and federal governmental regulations.
2. Gas stations, especially those with convenience stores, typically include furniture, fixtures, and equipment ("FF&E") such as cash registers, coffee makers, microwaves, ovens, beverage dispensers, free-standing coolers, etc. These items are typically transferred in the sale of a going-concern, but are not included in the reported value conclusions.
3. No fuel, merchandise, or other inventory is included in the reported value conclusions. Inventories typically transfer between the buyer and seller outside of the real estate transaction via a bill of sale, with the transfer price determined by the wholesale cost of the transferred goods.
4. All agreements and supply contracts with Chevron and related franchisors are assumed to be in place and transferable to a potential buyer.
5. The reported value conclusions assume zero loan obligations. If the subject facility is or will be encumbered by an imaging/amortization loan, any outstanding loan balances may need to be deducted from the concluded values, depending on whether or not such loans are self-amortizing based on fuel volumes sold through the subject station.
6. All aspects of the subject facility are assumed to be in full compliance with Chevron's current imaging requirements.
7. We assume the subject property will be operated in a manner consistent with Chevron's requirements.
8. Except as noted in the appraisal, all signage, imaging, and machinery and equipment ("M&E") associated with the fueling improvements is assumed to be owned free and clear by the same owner as the land and building.
9. Except as noted in the appraisal, clear title to the land and improvements is assumed. Further, clear title to any and all M&E and FF&E that may be included in the final value conclusion is assumed as well.
10. Our value conclusions are based on responsible ownership and capable management of both the subject gas station's real estate and business operations.

General

1. Appraisal reports are aggregations of data and information provided by third parties. We have made reasonable efforts to verify the accuracy of the information presented in the attached appraisal. As such, we believe the information that was furnished by third parties is true, but we assume no responsibility for its accuracy.
2. We assume no responsibility for matters legal in character, nor do we render any opinion as to the title, which is assumed to be good. We have not surveyed the property and assume no liability for such matters. The subject is appraised based on fee-simple title conveyance and an all-cash payment, or its equivalent.
3. We assume there are no easements or encumbrances, beyond those specifically addressed in the attached appraisal, that could impact the functionality and/or usability of the subject property as vacant and as developed as of the date of value.
4. Our appraisal is based on the assumption that there is no pending, scheduled, or contemplated eminent domain actions against the subject property by any governmental agency that holds the power of eminent domain.
5. We assume no responsibility for the property's condition or the correction of existing or potential future defects. Our inspection of the subject property was a non-invasive, visual evaluation of items that were readily observable. We are not qualified building inspectors. As such, if the client has concerns about the condition or quality of any of the subject property's construction, a properly certified inspector should be contacted.
6. Disclosure of the contents of this appraisal report is governed by the bylaws and regulations of The Appraisal Institute. Neither the entire appraisal report nor portions of this report are to be released to any third parties, including the general public, without the express written consent of the signatories of this report.
7. Because of our preparation of this appraisal, we are prepared to give testimony or attendance in court. However, the preparation of this appraisal neither requires nor compels us to provide such services. Should the client or other parties require such services, contractual arrangements outside the scope of this appraisal assignment are necessary.
8. We are not qualified to detect the presence of toxic or hazardous substances or materials that may influence or be associated with the subject property or adjacent properties. We have made no specific investigation or analysis as to the presence of such materials, beyond those noted in the appraisal. Petroleum Realty Advisors, Inc. shall not be liable for any costs, expenses, damages, assessments, penalties, diminution in value, property damage or personal injury resulting from or otherwise attributable to toxic or hazardous substances.
9. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not surveyed the subject to determine whether or not it meets ADA requirements. In the Improvement Description section of this report we provide a brief summary of the subject's physical aspects. It in no way suggests ADA compliance or non-compliance by the current owner. A specific study of both the owner's financial ability and the cost to cure any deficiencies is needed for to determine compliance. We can not acquire all necessary data to form an opinion about ADA compliance, nor

are we qualified to render such an opinion. Because of this, we have not addressed ADA compliance. The value conclusions presented in this report do not take into consideration potential ADA non-compliance.

Appraisal Methodology

Three basic approaches are typically used to estimate the market value of a developed property: a cost approach, a sales comparison approach, and an income approach. However, not all approaches are necessarily applicable to each and every valuation assignment.

Cost Approach

The cost approach first involves estimating the value of the site as if it was vacant and available for development to its highest and best use. This is done by analyzing sales of similar sites. Next, the cost to replace or reproduce the subject's structural and site improvements is estimated using a national cost estimating service, costs from the actual construction of the subject property, and/or costs from similar, recently-completed projects.

Soft, or indirect, expenses such as interest, loan and appraisal fees, etc. must be added to the hard cost estimate. Entrepreneurial profit, which is the difference between the market value of the project and its total development cost, must also be added to the cost estimate to properly account for the expected entrepreneurial reward necessary to motivate a developer to build the project.

Accrued depreciation is then estimated and deducted from the cost new of the improvements. Depreciation is estimated either by analyzing specific disadvantages or deficiencies of the subject's improvements, or by analyzing depreciation rates extracted from sales of similar properties. The cost approach is most useful when a property is relatively new and it does not yet have an established operating history.

With respect to gas stations, the cost approach is most relevant in the first one to three years of a facility's life. During this period, many market participants will equate cost with value, especially if there are positive factors external to the property that would cause a buyer to believe that the facility's future cash flows can support the cost-driven value. However, as a station reaches a stable level of operations, the income approach begins to carry far more weight.

Sales Comparison Approach

The sales comparison approach involves gathering data on sales of comparable properties and analyzing the nature of, and conditions and circumstances surrounding, each sale. We then make adjustments or comparisons for characteristics that are different between the comparables and the subject. Typically, a common denominator is found. For vacant parcels of land, this is usually price per square foot or price per acre. For improved properties, it may be price per square foot, price per dwelling unit, price per cubic foot, etc. The sales comparison approach develops a good indication of value when sales of similar properties are available and the differences between the sales and the subject can be identified and quantified.

Physically-similar gas stations can and often do sell for very different prices due to the relative success of the business that operates within the real estate. Because gas stations primarily sell on an income basis, the sales comparison approach is very subjective; there is no means of correlating income performance with physical features that can be directly compared and analyzed. Gas stations simply do not sell on a price per square foot of building area, price per nozzle, price per fueling position, or any other unit-based basis.

Because of this, the primary value of the sales comparison approach is the introduction of sales that yield multipliers, rates, and ratios for use in the income approach. Secondly, the sales comparison approach can provide general support for the value indications from the other approaches via a gross price analysis, although this process is inherently subjective.

Income Approach

The income approach is based on the assumption that there is a relationship between the income a property will earn and its value. Because a gas station's real estate and business operations are inextricably entwined, the income approach is the most reliable means of estimating the value of such properties. However, due to the complicated structure of the petroleum marketing business, as well as the industry's volatility, great care must be taken in developing any income approach to value.

With accounting methods varying from business to business, it takes significant experience to "tease apart" a subject property's profit and loss statement such that it can be properly and consistently compared to other operating stations. Without such experience, it is very easy to prepare an income approach using an apples-to-oranges analysis, thereby yielding inaccurate and unreliable results.

The two most reliable means of estimating a station's value using the income approach are the gross profit multiplier and overall rate. The gross profit multiplier is calculated from comparable sales by dividing the total selling price by the total annual gross profit generated by the comparable station. Once a market-based multiplier is selected for the subject, it can be applied to the stable gross profits expected to be generated by the subject property. Similarly, overall rates are derived from comparable sales by dividing the comparable's annual net operating income by its total selling price. After concluding a market-based rate for the subject, its stable annual net operating income can be divided by the concluded rate, thereby yielding a value indication.

Valuation Approaches Used to Value the Subject

Per the client's direction, we have omitted the cost approach. Since buyers and sellers of petroleum marketing assets do not rely on this valuation methodology, its omission should not impact the credibility of the conclusions reached.

Scope of Appraisal

The research and analyses necessary to prepare this appraisal break down into four major phases: defining and understanding the subject property and its physical attributes; investigating and analyzing the overall marketplace in which the property competes on a day-to-day basis as an operating business

entity; analyzing historical operating data to understand past operating successes as well as to predict future income flows from operations; and investigating and analyzing the overall marketplace in which the property would compete if it was offered for sale.

Defining and Understanding the Property's Physical Attributes

Christopher Gaskins, MAI conducted a physically-non-invasive inspection of the subject property on February 18, 2008. During our inspection we noted numerous physical attributes such as site shape, topography, traffic flows adjacent to the property, ingress/egress, fueling island configuration, site design, interior building configuration, building condition, etc.

We contacted the local assessor's office to collect plat maps, copies of computer records, and copies of assessor's appraisal records, all to understand the subject property from the assessor's perspective. We contacted the county clerk's office to obtain copies of recorded documents related to prior transfers of the subject property, as well as any easements and encumbrances that may be present. At the minimum, we investigated the subject's sale history for the last five years. We attempted to collect all recorded easements and encumbrances, irrespective of age.

We contacted the local planning office to determine the subject's zoning, availability of utility services, and flood hazard status. We questioned planning officials about whether there were any gas stations proposed for development within the immediate competitive market, especially among hypermarketers. We also queried planning officials about major planned developments in the area that could impact the subject's future operations. Examples of such developments could include new subdivisions, new commercial developments that might alter traffic flows, proposed re-configuration of transportation corridors and arterials, etc. We collected average daily traffic count data from the appropriate local or state agency.

Competitive Market Research

We assembled regional, county, and city data from data present in our office library, printed materials available through the local chamber of commerce, general information web sites on the internet, and various public agencies that compile demographic and economic data and distribute it via print and the internet. The neighborhood description is based on our direct inspection and observations of the neighborhood.

We conducted a competing station survey on February 18, 2008 in order to understand the competitive dynamics of the local market in which the subject station competes. We took note of the product offerings, fuel prices, condition, quality, and other features of the competing stations. Any photographs of competing stations presented in this appraisal may or may not have been taken on our date of survey; some photos may be file photos taken at an earlier date. However, all of the photographs materially portray the competing stations as they were as of the date of our survey.

We mapped the competing stations to ascertain the balance between supply and demand at different geographic scales, delineate brand representations across geographic areas, and to understand the subject's position within the local market.

Operations Analysis

We asked the owner of the facility to provide us with the subject's historical operating data. We requested three years of fuel volumes by month, three years of non-fuel sales by month, three years of profit and loss statements, and other data. We manually entered the operating information into a Microsoft Excel spreadsheet and cross-checked the entered data against the hardcopy data to ensure no errors were introduced during data entry.

We then re-arranged the income data into a standardized format and normalized the income statement. This process included the removal of income and expense items that were either unique to the owner's particular form of ownership or which were discretionary to the owner. Excluded items include interest income, officer wages, depreciation, interest expense, amortization, etc.

Because accounting practices vary from business to business, we often find expense items mis-booked as cost of goods offsets. Depending on the invoicing arrangements with the fuel supplier, other accounting anomalies can be introduced that skew the cost of goods line, thereby skewing the gross profit line. Further, depending on the nature of any imaging/amortization loans present, cost of goods sold or certain expense items can be atypically impacted.

Our normalization process therefore involves the "purification" of the income statement such that the facility's historical income and expenses are (1) analyzed on the same basis as estimated future income and expenses, and (2) estimated on a market-typical basis, properly reflecting the income and expenses that would have been incurred had a different operator been operating the facility after the consummation of a successful sale of the business and real estate.

After normalizing the subject's operating data, we prepared graphic charts to illustrate historical trends and, in the context of competitive issues in the present-day market, develop a normalized operating statement that reflects our best estimate of the operation's future income-generating potential, based on its as-is configuration. We also developed a pro forma estimate of the subject's future income statement based on its as-proposed configuration, relying on operations comparables, comparable sales, and the owner's projections.

Valuation Research

We collected preliminary information about potential improved sales from knowledgeable people within the industry, brokers, CoStar Comps, internal office files and databases, and other appraisers. We then researched each potential sale and, if it was a suitable comparable that appeared to be arm's-length, investigated it further, collecting plat maps, assessor records, and county recordings for each sale.

We then photographed and made an exterior, off-site inspection of each of the improved sales. All of the improved sales presented in this appraisal were directly verified with at least one party to the transaction. If we were unable to verify an improved sale to a satisfactory level of detail, we did not include that sale in our report.

Certification

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Uniform Standards of Professional Practice of the Appraisal Institute.
8. I have personally inspected the property that is the subject of this report. I have inspected all comparables used in this report.
9. Nobody provided significant professional assistance to the persons signing the report.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, I, Christopher Gaskins, have completed the requirements under the continuing education program of the Appraisal Institute.

Christopher Gaskins

MAI, Broker

Oregon Appraisal License #:

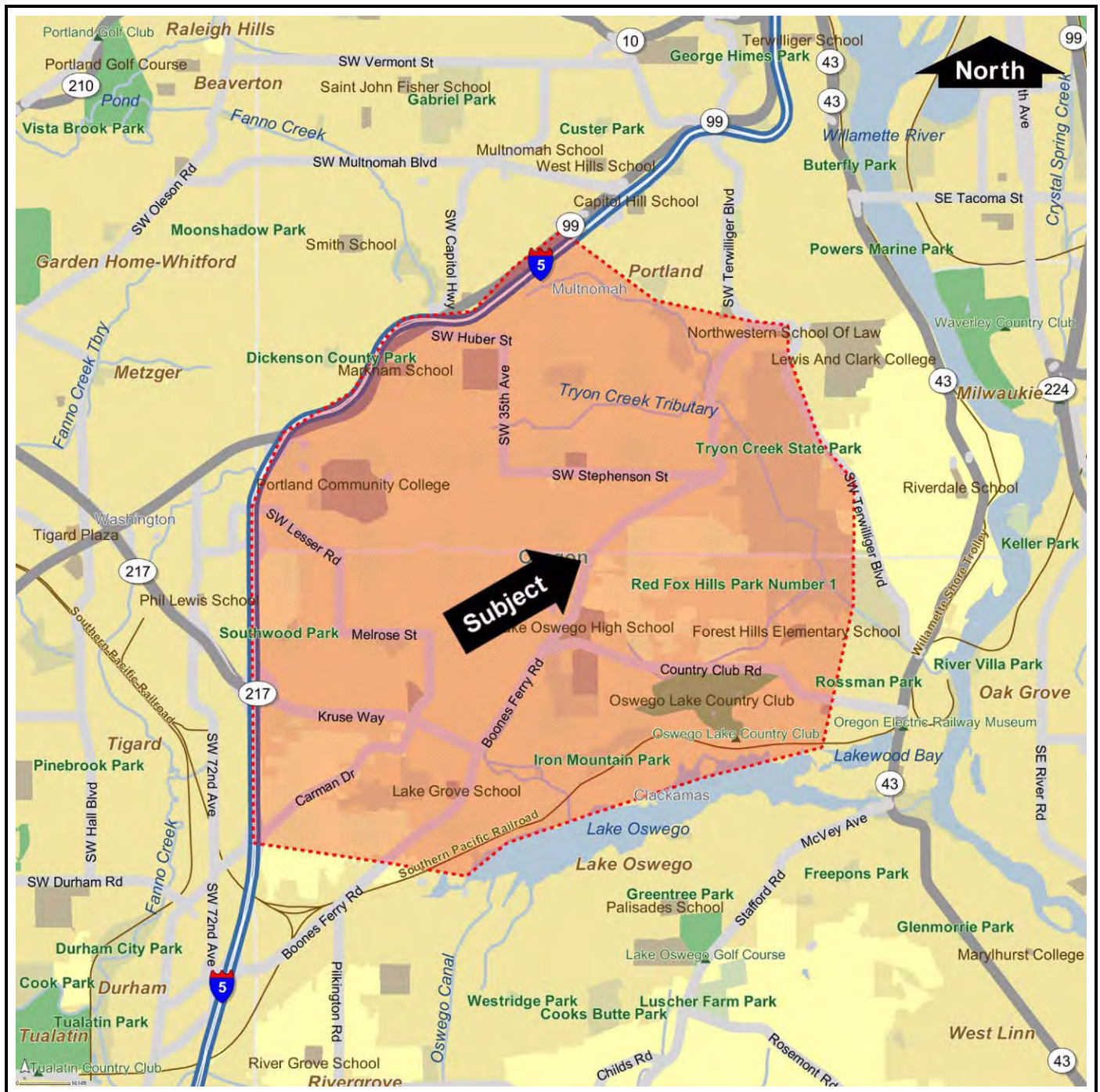
C000486

Oregon Broker License #:

200309091

Washington Appraisal License #:

1100583



Geography

Lake Oswego sits on the south side of the Portland metropolitan area, at the northwest corner of Clackamas County. The city is eight miles south of downtown Portland and 45 minutes north of the state capitol in Salem. Topography throughout the city varies significantly due to the rolling hillsides. The trade area's boundaries consist of Interstate 5 on the west and northwest, Fanno Creek and Tryon Creek State Park on the northeast, Oswego Lake on the southeast, and Lake Grove on the southwest. The north part of the trade area encompasses Lake Oswego's Mountain Park neighborhood, which is a nationally-recognized planned community that lies in the northwest corner of the city. The neighborhood was developed on 700 acres that lie on and around a dormant volcano known as Mt. Sylvania.

Climate

The climate of the Valley is relatively mild throughout the year, characterized by cool, wet winters and warm, dry summers. The climatic conditions closely resemble the Mediterranean climates which occur in California, although Oregon's winters are somewhat wetter and cooler. The area has a predominant winter rainfall climate, with about 50 percent of the annual precipitation falling between December and February. Although snow falls nearly every year, amounts are generally quite low. Winters are likely to be cloudy. Average cloud cover during the coldest months exceeds 80 percent, with an average of about 26 cloudy days in January. However, during the summer, sunshine is much more abundant, with average cloud cover of less than 40 percent; more than half of the days in July are clear.

**Transportation
Linkages**

Interstate 5, which is the major north/south transportation corridor on the West Coast, lies on the west side of the trade area. Highway 217 begins on the west side of Lake Oswego and runs northwest up to Highway 26. Interstate 205, a beltline highway that runs around the south, east, and northeast sides of the metropolitan area, is about four miles south of the trade area. Highway 43 runs south out of Portland, along the west side of the Willamette River and the east side of Lake Oswego, and down to Interstate 205. Together, these highways provide excellent access to the greater Portland metropolitan area. Tri-Met, Portland's mass-transit system, provides daily service in and out of Lake Oswego.

**General
Comments**

Major features in the area include the Willamette River on the east side of the city; the 405-acre, three-mile long, and quarter-mile wide Oswego Lake, which lies roughly in the center of the city; and Interstate 5 on the west. The total distance between the river and interstate is about 4.25 miles. The City's Parks and Recreation Department manages a sports center on the Willamette River, two public swimming facilities on Oswego Lake, an indoor tennis center, an outdoor amphitheater along the river, and a self-financed 18-hole golf course.

Lake Oswego schools are rated among the best in the county, with more than 80 percent of high school students going on to attend college. Within the district as a whole, 81 percent of students met reading standards compared to 53 percent on a statewide basis (at the 10th-grade level). In math skills, 71 percent of students met standards compared to 45 percent statewide.

Lake Oswego is primarily a residential community, but there is some commercial development and light manufacturing. Most of the commercially-zoned lands are located downtown near the Willamette River or on the west end, in Lake Grove near Interstate 5. The lands along Kruse Way east of Interstate 5 were developed with extensive office buildings during the 1990s, causing the city to have the largest concentration of office space in Clackamas County. The Kruse Way projects also brought new hotel and restaurant development, although not nearly at the same scale as the office developments. That portion of the city continues to see slow and steady development.

Population Counts

Table 3.1

Geography	1990	2000	%Δ 1990-00	2007	%Δ 2000-07	Rate Δ 2000-07
Trade Area	27,401	32,933	1.9%	34,164	0.5%	-71.7%
Clackamas County	278,850	338,391	2.0%	375,391	1.5%	-23.6%
Oregon (MM)	2.84	3.42	1.9%	3.75	1.3%	-29.0%

Average Household Size

Table 3.2

Geography	1990	2000	2007	Trend Is Toward...
Trade Area	2.39	2.38	2.40	Larger households
Clackamas County	2.67	2.62	2.66	Smaller households
Oregon	2.52	2.51	2.51	Smaller households

Sex Ratio, % Male

Table 3.3

Geography	1990	2000	2007	Current Bias	Trend is Toward...
Trade Area	48.5%	48.5%	48.6%	Females	Increasing % of males
Clackamas County	49.1%	49.4%	49.4%	Females	Increasing % of males
Oregon	49.2%	49.6%	49.7%	Females	Increasing % of males

Relationships In Households

Table 3.4

Type of Household	Trade Area	Clackamas County	Oregon
Married without children	26.8%	31.1%	28.7%
Married with children	26.0%	27.5%	23.2%
Family cohabitation, no spouse	10.0%	12.9%	13.9%
Living alone	28.9%	22.0%	26.1%
Non-family cohabitation	8.3%	6.5%	8.1%

Median Age

Table 3.5

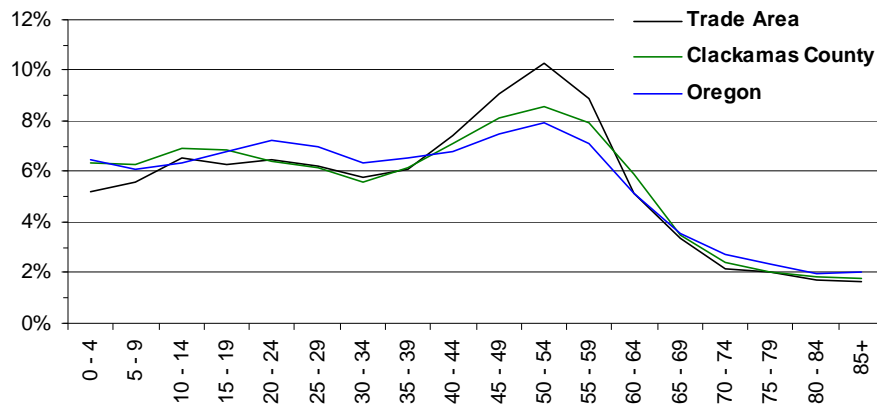
Geography	1990	2000	%Δ 1990-00	2007	%Δ 2000-07	Trend...
Trade Area	36.0	38.9	0.8%	41.2	0.8%	Increasing
Clackamas County	35.1	37.4	0.6%	39.4	0.7%	Increasing
Oregon	34.5	36.3	0.5%	37.8	0.6%	Increasing

Noteworthy Trade Area Characteristics

- * Population growth has lagged the county and state since 2000.
- * The average household size is increasing, while the county and state have stable to slightly declining household sizes.
- * The median age is about five percent higher than the county and nine percent higher than the state.

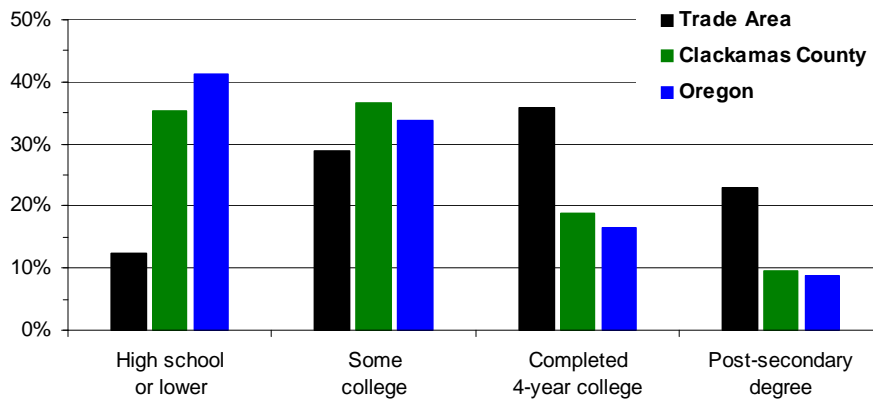
Age Distribution, 2007

Chart 4.1



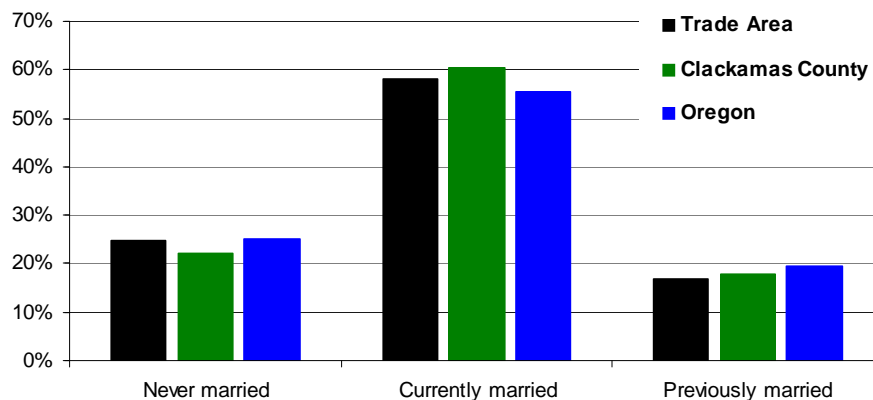
Education Attainment, 2000

Chart 4.2



Marital Status, 2000

Chart 4.3

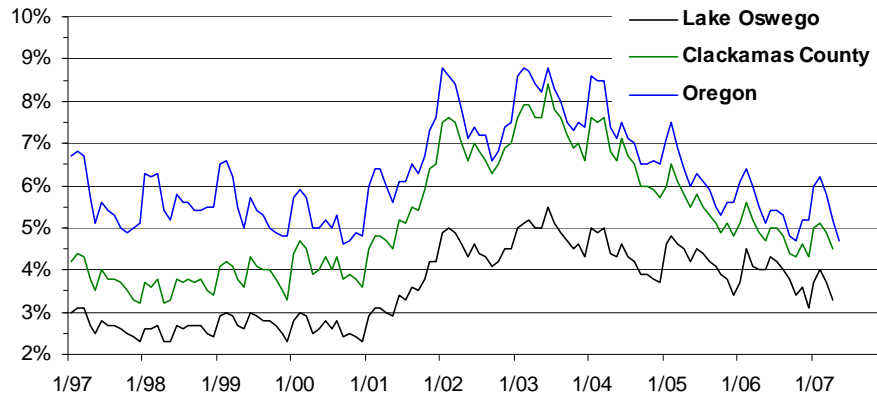


Noteworthy Trade Area Characteristics

- * The high cost of living causes the age distribution to be skewed toward the mid- to later-life age brackets.
- * Education levels are far higher compared to the county and state, with the share of residents holding a four-year degree or higher being twice as high as the county and state.
- * Marital status is similar to the state and county.

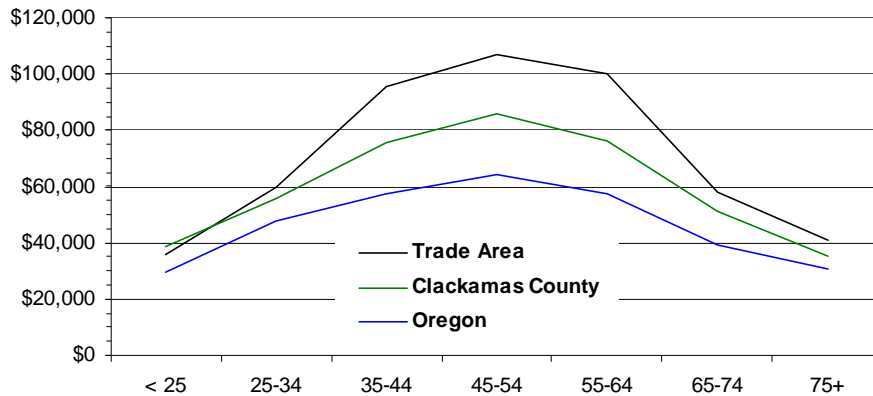
Unemployment Rates

Chart 5.1



Household Income By Age, 2007

Chart 5.2



Median Household Income

Table 5.3

Geography	1990	2000	%Δ 1990-00	2007	%Δ 2000-07
Trade Area	\$46,793	\$64,157	3.2%	\$81,022	3.4%
Clackamas County	\$35,419	\$52,314	4.0%	\$66,646	3.5%
Oregon (MM)	\$27,250	\$40,947	4.2%	\$51,735	3.4%

Poverty Rates, 2007

Table 5.4

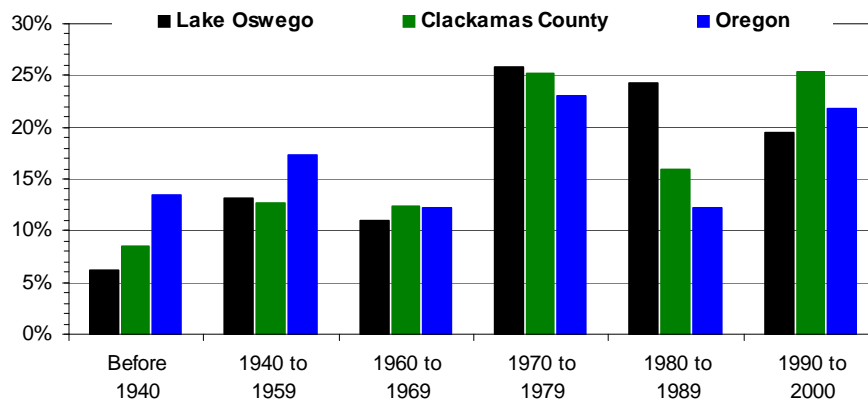
Geography	Married Couples	Single-Parent Household	Non-family Households
Trade Area	0.7%	0.9%	3.4%
Clackamas County	1.7%	1.7%	3.5%
Oregon	2.8%	3.1%	6.2%

Noteworthy Trade Area Characteristics

- * Unemployment levels are far lower in the city.
- * Across the mid-life age brackets, median household income is substantially higher than the county and state.
- * Median household income is 22 percent higher than county and 57 percent higher than the state.
- * Poverty rates across all demographic groups are far lower than the county and state.

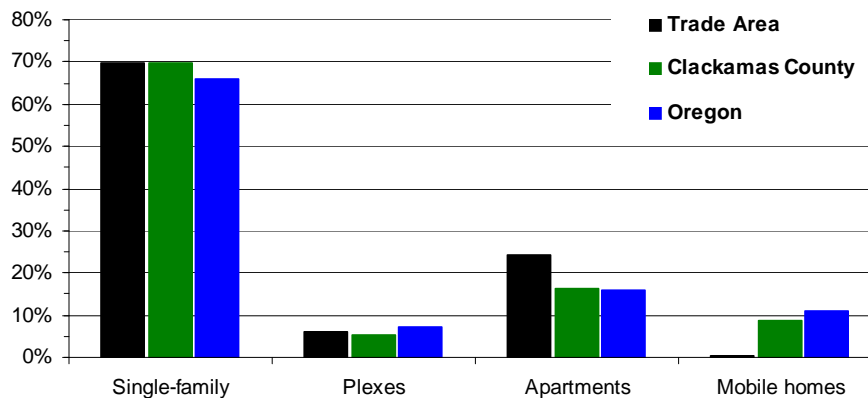
Age Distribution of Housing Stocks

Chart 6.1



Housing Units By Type, 2000

Chart 6.2



Home Ownership Rates

Table 6.3

Geography	1990	2000	%Δ 1990-00	2007	%Δ 2000-07
Trade Area	64.7%	68.5%	0.6%	70.4%	0.4%
Clackamas County	71.7%	71.1%	-0.1%	73.2%	0.4%
Oregon (MM)	63.1%	64.3%	0.2%	66.7%	0.5%

Median Home Values

Table 6.4

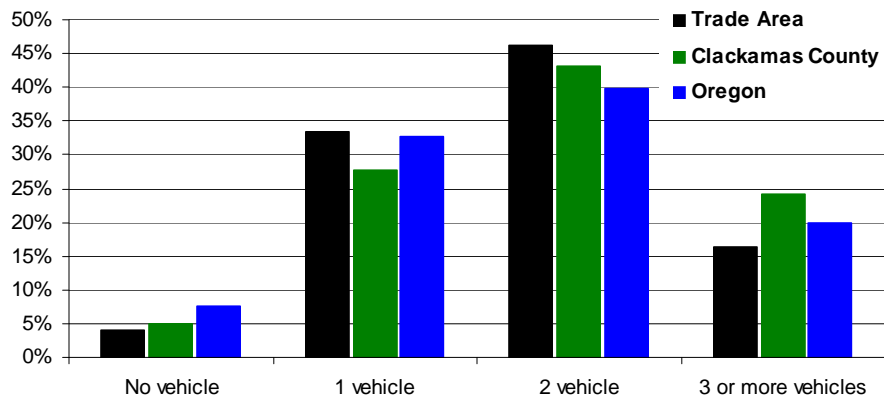
Geography	1990	2000	%Δ 1990-00	2007	%Δ 2000-07
Trade Area	\$117,586	\$261,687	8.3%	\$459,946	8.4%
Clackamas County	\$85,087	\$199,045	8.9%	\$360,422	8.9%
Oregon	\$67,063	\$152,064	8.5%	\$267,166	8.4%

Noteworthy Trade Area Characteristics

- * The city's major growth phase occurred during the 1970s and 1980s.
- * There is a substantial share of apartments in the city, but no mobile homes.
- * Home ownership rates are about four percent lower than the county and six percent higher than the state.
- * Median home values are 28 percent higher than the county and 72 percent higher than the state.

Vehicles Per Household, 2000

Chart 7.1



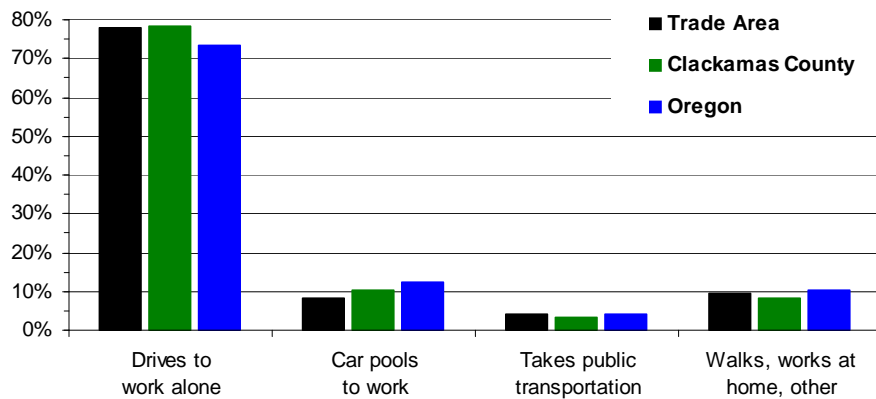
Avg. Vehicles Per Household and Commute Time, 2000

Table 7.2

	Trade Area	Clackamas County	Oregon
Avg. vehicles/HH	1.80 veh	1.96 veh	1.79 veh
Avg. commute time	21.1 mins	26.2 mins	22.2 mins

Transportation To Work, 2000

Chart 7.3



Noteworthy Trade Area Characteristics

- * County households are more likely to have multiple vehicles.
- * The average number of vehicles per household is similar to the state.
- * Residents' commuting patterns are similar to the county.

Property Identification

Location	2 Monroe Parkway Lake Oswego, OR 97035-1431
Geocoordinates	Latitude 45.431940, longitude -122.702804
Map, Tax Lot	Clackamas County, 2S-1E-5AA, lot 400
Real Property Account	R205343
Personal Property Account	P2248870 (owned by Chevron)

Property History

Development	The subject station was originally developed in 1970 as part of the fifth phase of the Mountain Park development. It was a company-owned station from 1970 through 2003 and continues to reflect its original construction configuration.
Current Ownership	The most recent transfer deed on record shows title being vested under Medallion, LLC, which is an Oregon corporation managed by John Davies.
Current Branding	The retail fueling islands are branded Chevron, while the service operation is unbranded.
Recorded Transfers of Ownership	The most recent recording appears in the county clerk's records at warranty deed 2003:162462, which shows that Chevron U.S.A., Inc. transferred their rights to Medallion, LLC, on December 10, 2003. It was not an arm's-length transfer, as Medallion had been operating the facility as a lessee dealer. The transaction had a stated consideration of \$483,142, which reflected a \$60,000 discount in anticipation of the dealer razing the service building. The transaction required that Medallion convert/replace the three-bay service building into a convenience store within 24 months, or Chevron had the right to repurchase the property. Medallion was able to secure extensions to the renovation requirement in part because of Chevron's inconsistent enforcement of similar provisions in other sales of company owned stations.
Proposed Branding	When the station is rebuilt, it will continue to offer Chevron-branded fuels on the islands, but the new convenience store will carry private "Blue Goose Market" signage.

Assessed Values and Taxes, 2007-2008

Real Property

Assessed Market Value	Land = \$449,179 (~\$20.32 per sq ft)
	<u>Improvements</u> = <u>\$462,790</u>
	Total = \$911,969
Measure 50 Assessment	\$479,396, about 47.4% lower than the assessed market value
Tax Code Area and Rate	Code area 007-021 has a rate of \$16.8412 per \$1,000 of assessed value
Levied Taxes	\$8,073.60
Unpaid Taxes	Two-thirds of the current-year tax liability, or \$5,382.40, remains outstanding. One-third was due on February 15, 2008, and the remaining third is due on May 15, 2008.

Personal Property

Assessed Value	\$20,352
Levied Taxes	\$321.27, paid in full

Contracts Appurtenant to the Real Estate

Supply Contracts	The station is directly supplied by Chevron under a fuel supply contract that is dated August 18, 2006, but which took effect January 1, 2007. Fuel prices are set by Chevron and are not tied to wholesale prices at the racks. The contract has a three-year term that can be terminated by the dealer without cause at any time, although doing so would accelerate payment of any outstanding obligations to Chevron and would trigger Chevron's repurchase option.
Imaging Loans	There are no imaging loans currently outstanding. However, as part of the proposed construction, the dealer anticipates accepting \$18,000 in imaging incentive monies from Chevron, which will be used to upgrade the fueling islands.
Leases	There are no arm's-length leases present that would survive a sale of the facility.

Land/Location Characteristics

Size	22,100 square feet, or about 0.507 acres
Shape	The site is roughly rectangular, lying in a north/south orientation, parallel with Boones Ferry Road and perpendicular to Monroe Parkway.
Average Dimensions	About 155 feet wide north/south and 130 feet deep east/west.
Topography	Boones Ferry Road slopes mildly down to the south and Monroe Parkway slopes moderately down to the east. With the exception of the subject's concrete tank pad and the footprints of its c-store and canopy, the subject site also slopes down to the south and east. The northwest corner of the site is about eight feet higher than the southeast corner. There are retaining walls along the west and south property lines. At their highest points, these walls are about five to six feet high, but decrease in height as they near the right of ways to the north and east. The west retaining wall has a stairway that leads up to the adjacent development to the west.
Abutting Properties	Adjacent to the west is Mountain Park Market Place, which is a two-story, retail/office building that includes a liquor store and a convenience store tenant in addition to other retail and office tenants. North of the subject is the Monroe Parkway right of way, followed by the Oswego Towne Square strip-retail center that is anchored by New Seasons Market. East of the station is the Boones Ferry Road right of way, followed by low-density residential development and then the city limits. To the south is a property owned by the Lake Grove Water District that appears to be a pump station.
Flood Hazard	Zone C, FIRM 410018-0001C dated August 4, 1987 (no flood hazards).
Environmental Hazards	Science Applications International Corporation ("SAIC") prepared an environmental assessment in September of 2003 on Chevron's behalf. Petroleum-contaminated soils were discovered in 1993 and about 20 yards of contaminated soils were excavated and hauled to an off-site remediation/disposal location. A pocket of contaminated soils was left underneath the underground storage tanks on the northeast side of the tank pit. Residual contamination levels appear to have been well below DEQ's risk-based closure levels. DEQ's web site indicates closure was achieved on October 18, 2007, although we have not been provided a copy of a no further action letter. It is possible that the

proposed renovations may trigger re-consideration of any closure that has been achieved, especially if pockets of contamination that were once inaccessible due to structural stability concerns become accessible due to changes in the site configuration.

The standard appraisal assumption that the site is clean applies. In addition, we assume environmental issues will not impede the reconstruction process or impact the project's costs.

Utilities	Fully served by all utilities typically available within urban areas.
General Access	Average, since the site is somewhat removed relative to the major commercial developments and primary arterials in the area.
Direct Access	Very good, since there two access points onto Boones Ferry Road and two access points onto Monroe Parkway.
Streets	<p>Boones Ferry Road fronts the subject's east side for 155 feet. It carries one lane each of north/south traffic, but lacks a center refuge lane. It has a speed limit of 35mph and there are no turn movement restrictions. Side street improvements include curbing and sidewalks in the subject's immediate area.</p> <p>Monroe Parkway fronts the subject's north side for 130 feet. It carries one lane each of east/west traffic. It too lacks a center refuge lane and there are no turn movement restrictions. It has a lower speed limit of 25mph, along with curbing and sidewalk side street improvements.</p>
Traffic Signals	The nearest traffic signal is adjacent to the subject to the northeast, where Monroe Parkway terminates at Boones Ferry Road. There are dedicated turn lanes for all lanes of traffic that can make turn movements.
Zoning	Land use is controlled by the City of Lake Oswego. The site is zoned Neighborhood Commercial (NC).
Permissibility of Existing Land Uses	Auto service stations are a conditional use, while retail sales are allowed outright in buildings under 10,000 square feet. The proposed reconstruction has reportedly been approved by the City.
Permissibility of Alternative Uses	Retail sales are permitted if the store is less than 10,000 square feet. Retail food sales are permitted if the store is less than 25,000 square feet. Restaurants are allowed outright.

Easements and Encumbrances

First American Title Company prepared a preliminary title report on December 2, 2003. It identifies an easement for a buried phone cable that appears to be located along the south property line, according to the reconstruction blueprints. In addition, the property falls within the Mountain Park community and is therefore subject to its CC&Rs. The title report indicates the CC&Rs created utilities easements along the rear and side lines of the subject property. We assume there are no easements present, recorded or otherwise, that would keep the proposed construction from being completed and the proposed improvements from being operated to their full potential.

Improvement Description

Retail Fueling

Canopy

The retail fueling center has a split-island design, with one pair of dispensers on an island that parallels Boones Ferry Road and another pair of dispensers on an island that parallels Monroe Parkway. Each pair of pumps is covered by a 23- by 22-foot canopy that covers an area of 506 square feet. They are supported by a pair of 10-inch square, steel columns that have a brick fascia to a height of about eight feet. Both canopies have gable roofs with split-cedar shingles, sheet metal fascias that are painted in Chevrons blue, and are lit by four surface-mounted, 320-watt metal halide lights.

Pumps

Each of the station's two fueling islands has one six-hose, Wayne DD3-390 dispenser and one eight-hose, Wayne DD3-490 dispenser. The six-hose pumps dispense the three typical grades of fuel, while the eight-hose pumps also dispense diesel. They have Goodyear Premier hoses, OPW breakaway joints, and OPW nozzles.

Tanks

Four 10,000-gallon, single-wall fiberglass tanks that we believe were installed in 1987. This type of tank typically carries a 30-year warranty, so their service life should substantially exceed the warranty period, which should close in 2017. There is one tank dedicated to each grade of gasoline, with the fourth tank dedicated to diesel fuels.

Other Equipment

Overfill containment at the tanks; FE Petro 3/4-horsepower turbine pumps; fiberglass piping; mechanical line leak detectors; balance Stage II vapor recovery system; tank monitoring system.

Building

Rough Dimensions and Area	75 feet wide and 28 feet deep, with an area of 2,260 square feet.
Main Building Sections/Uses	Three-bay auto service garage; compressor area; employee break area; manager's office; two cashier counters; and, a pair of interior-accessed restrooms.
Main Structural Components	Poured-concrete foundation with a slab-on-grade subfloor. Metal-framed exterior walls with painted metal paneling and brick exterior coverings. Gable roof with a cedar shingle covering. Double-pane windows set in aluminum frames.
Interior Finishes	Floor finishes include painted concrete and ceramic tile, while wall finishes are mostly painted metal or ceramic tile. Ceilings in the service garage is painted, exposed structure, while the restroom has painted metal ceilings. Lighting mostly comes from ceiling-hung fluorescent strip fixtures.
Other Improvements	Monument signs in the middle of the north and east property lines advertise the Chevron brand and fuel prices. The northeast corner of the site supports a brick monument sign advertising the entrance to the Mountain Park community.
Functional Issues	The building is not optimally situated on the site. While the site is angled slightly northeast/southwest, the building is angled northwest/southeast and is not pushed back as far as possible into the southwest corner of the site. This creates a large, triangular area between the building and the rear retaining walls that has limited accessibility and marginal utility.
Overall Quality and Condition	Fair, for its type of use.

Proposed Renovations and Construction

Convenience Store	The current building will be completely removed and an all-new, 3,776-square foot, single-story, craftsman-style convenience store will be built. The new structure will be built parallel to and five feet from the retaining wall along the west property line. It will also be as far south on the site as setbacks allow. The finished floor elevation will be about one foot lower than the current building's finished grade. By pushing the building into the southwest corner of the site and lowering the finished grade, the slopes in front of the store will be reduced.
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The entry to the new convenience store will be at the northeast corner, facing the fueling islands. The building will have a free-standing cashier's island just inside the entrance, a 25-door walk-in cooler, manager's office, a pair of interior-accessed restrooms, and a utility/work room.

It will have a concrete slab floor and perimeter foundation, with wood framed interior and exterior walls. The gable roof will have architectural composition shingles. Exterior wall finishes will include Hardi-Panel board and batten siding, Hardi-Plank horizontal lap siding, and cultured stone veneer wainscot. Windows will be double-pane in vinyl frames, exterior doors will be fiberglass and metal framed, while interior doors will be solid core wood. Floor finishes will be polished and stained concrete throughout, except in the restrooms, which will have ceramic tiling. Wall finishes will generally be painted and textured drywall, except in high-sanitary areas, which will have fiberglass-reinforced plastic paneling. Ceilings in most areas will be open, with the structural components exposed and finished. The office and restrooms will have painted drywall ceilings.

Underground Fuel Storage

The existing four underground storage tanks will be removed and replaced with two 20,000-gallon tanks. Both will have double-wall construction, with a single-wall steel, inner tank wrapped in fiberglass-reinforced plastic. One tank will be split into two compartments and will hold regular and premium unleaded gasoline. The other tank will be split into three compartments and will hold low-sulphur diesel, biodiesel, and E85, which is an 85 percent ethanol/15 percent gasoline blend used in flex-fuel vehicles. Each compartment will be served by a 1.5 horsepower turbine pump made by FE Petro that will sit inside a sump container. Piping to the pump islands will be double-wall fiberglass and will include mechanical line leak detectors.

Fueling Islands

The canopies over the existing fueling islands encroach in the zoning-required setback areas, but they are grandfathered. In order to preserve that status, the canopy structures will be retained. However, they will get new architectural composition shingle roof coverings and the columns will be wrapped in cultured stone. Their fascias will be repainted to Chevron blue.

The rest of the fueling islands will be demolished. New construction will include concrete pump islands, bollards on the ends of the islands, trash enclosures, and five Wayne Ovation, blending pumps. Each pump will have two hoses per side. One

fueling island will have a pair of dispensers and will dispense gasoline and E85. The second fueling island will have the same configuration, but will include a third dispenser that will dispense diesel and biodiesel. All of the pumps will have under-dispenser containment, VST hoses, Husky breakaway connectors, and Husky nozzles.

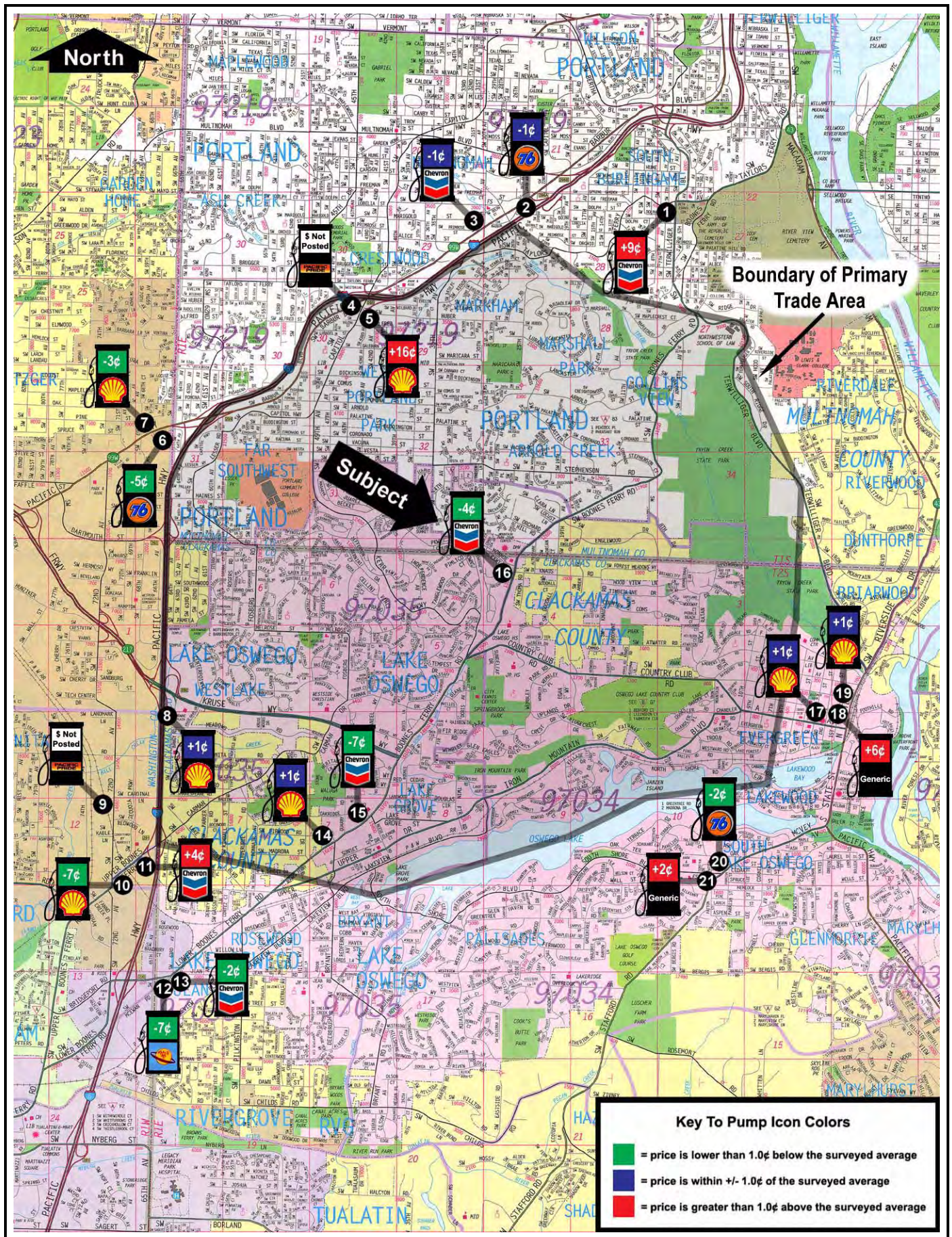
Site Improvements

The existing landscaping beds and signs along the north and east property lines will be retained, but new landscaping will be installed. Currently, landscaping covers 2,102 square feet of the site. Development regulations require 2,668 square feet of landscaping and nine parking spaces. The finished project will have 3,191 square feet of landscaping and 11 parking spaces, including a single handicap-accessible space. The existing 500-gallon propane tank will be re-installed off the southeast corner of the new building. There will be a new CMU, covered trash/recycling enclosure northwest of the new building as well.

Cost Estimates

Warner Construction will be doing the general contracting on the project. The adjacent table summarizes the project costs. The building cost equals \$207 per square foot over the building area. The c-store equipment is not part of the real estate, so the total real estate costs are about \$1.383 million, not including soft costs.

Category	Cost
Building	\$782,225
Fuel system upgrade	182,700
Fuel system equipment	161,500
Site work	162,260
Overhead	47,800
C-store equipment	95,000
Security system	25,000
Signage	12,000
Control panel	10,000
Project total	\$1,478,485



#	Brand	Product Pricing						Features	
		Reg.	Plus	Super	Diesel	Wtd Avg	Spread	C-store	Other
1	Chevron	\$3.19	\$3.31	\$3.39	-	\$3.23	9.0¢	X	-
2	Unocal 76	\$3.09	\$3.21	\$3.32	\$3.45	\$3.13	-1.0¢	Mini	2 Bays
3	Chevron	\$3.09	\$3.21	\$3.33	-	\$3.13	-1.0¢	X	-
4	Pacific Pride	*** Prices Not Posted ***				-	-	-	-
5	Shell	\$3.25	\$3.39	\$3.49	\$3.65	\$3.30	16.0¢	-	-
6	Unocal 76	\$3.05	\$3.15	\$3.25	-	\$3.09	-5.0¢	-	3 Bays
7	Shell	\$3.07	\$3.19	\$3.29	\$3.49	\$3.11	-3.0¢	-	2 Bays, Rollover C/W
8	Shell	\$3.11	\$3.23	\$3.37	\$3.49	\$3.15	1.0¢	X	-
9	Pacific Pride	*** Prices Not Posted ***				-	-	-	-
10	Shell	\$3.03	\$3.13	\$3.23	\$3.44	\$3.07	-7.0¢	X	-
11	Chevron	\$3.13	\$3.27	\$3.41	-	\$3.18	4.0¢	X	-
12	Space Age	\$3.03	\$3.13	\$3.23	\$3.43	\$3.07	-7.0¢	-	Espresso
13	Chevron	\$3.07	\$3.23	\$3.33	\$3.59	\$3.12	-2.0¢	X	-
14	Shell	\$3.11	\$3.23	\$3.37	\$3.49	\$3.15	1.0¢	X	-
15	Chevron	\$3.03	\$3.14	\$3.25	-	\$3.07	-7.0¢	-	-
16	Chevron (subject)	\$3.05	\$3.19	\$3.31	\$3.49	\$3.10	-4.0¢	-	3 Bays
17	Shell	\$3.11	\$3.23	\$3.37	-	\$3.15	1.0¢	Mini	-
18	Unbranded	\$3.15	\$3.27	\$3.42	-	\$3.20	6.0¢	-	2 Bays
19	Shell	\$3.11	\$3.23	\$3.37	-	\$3.15	1.0¢	X	-
20	Unocal 76	\$3.07	\$3.22	\$3.32	\$3.48	\$3.12	-2.0¢	-	4 Bays
21	<u>Unbranded</u>	<u>\$3.11</u>	<u>\$3.28</u>	<u>\$3.39</u>	<u>-</u>	<u>\$3.16</u>	<u>2.0¢</u>	<u>-</u>	<u>2 Bays</u>
Average price		\$3.10	\$3.22	\$3.34	\$3.50	\$3.14		10	8
Hi-Low range		22.0¢	26.0¢	26.0¢	22.0¢				

Format Explanation/Key to Symbols

The remainder of this appraisal is presented in a bullet point format. We have employed four types of symbols to alert the reader to the nature of the condensed commentary:

- ☞ Comments that are preceded by this symbol are neutral and provide general information.
- ✗ A red “X” symbol is indicative of a condition or information that is negative relative to the subject property’s interests or operations.
- ✓ A green check mark indicates a condition or information that is positive for the subject property.
- ➡ A blue arrow indicates that a conclusion is being drawn.

Competing Stations Analysis

Supply/Demand

- ☞ The State of Oregon shows there are 1,676 locations with licensed fuel dispensing meters in the state. Based on the state's 2007 population, there are 2,239 people per station.
- ☞ The trade area has a population of 34,164 people and five stations, for a ratio of 6,833 people per station. Although the demand ratio is 3.1 times higher than the state average, there are a number of competing stations just outside the trade area boundaries that capture some of that excess demand.
- ☞ There are 13 fueling facilities within the city limits, which has a population of 36,345 people. The ratio is therefore 2,796 people per station. The city therefore has a demand ratio that is 1.2 times higher than the state average.
- ☞ Across the county there are 121 fueling locations and 372,270 people, yielding a ratio of 3,077 people per station. This is 1.4 times higher than the state average.
- ➡ Irrespective of the geographic area considered--trade area, city, or county--there is an under-supply condition, with at least 20 to 40 percent more people per station than the state average. Conversely, there are 20 to 40 percent fewer stations serving the population base than are found on average across the state.
- ☞ There were 1.572 billion gallons of gasoline and diesel fuel sold in Oregon in 2006. This equals 419 gallons per person per year, and 78,156 gallons per station per month.
- ➡ Given the under-supplied conditions within the trade area, city, and county, the implied average volume per station is 239,000 gallons, 98,000 gallons, and 107,000 gallons per station, respectively.

Distribution

- ☞ The competing stations fall into three groups. The main group consists of the facilities near and along the Interstate 5 corridor, which are oriented to the heavy traffic flows through the interchanges along the interstate.
- ☞ The second group consists of the east side of Lake Oswego, around the downtown core and the south side of the lake. Five stations in that area compete within a relatively congested neighborhood.

- ☞ The third group consists of a handful of facilities along Boones Ferry Road, which runs northeast from Interstate 5, through the heart of Lake Oswego, and into the Terwillger area of south Portland.
- ☞ The four stations within the Boones Ferry corridor are generally oriented toward the large pockets of residential development that lie between the Interstate 5 corridor and Lake Oswego's central business district.
- ✗ The subject is part of the third group of stations and is located on a secondary arterial, away from the highest traffic volume corridors in the city.
- ✓ The subject sits in a well-insulated submarket, with the closest competition being 1.7 miles south along Boones Ferry Road, 2.4 miles to the northwest at Interstate 5 and Capitol Highway, 2.8 miles to the northeast along Boones Ferry Road, or 2.6 miles to the southeast in downtown Lake Oswego (all distances are over land).
- ✓ There is very, very little vacant land, much less commercially zoned land, between the subject and its closest competitors.
- ➡ The subject is insulated from existing competition and highly insulated from the threat of new competition.

Brand Representation

- ☞ Shell has the largest market share, accounting for one-third of the surveyed facilities. Shell's significant presence is in part due to their rebranding of Texaco stations around 2002/2003.
- ☞ Chevron is close behind, with just under 30 percent of the stations. Unocal 76 has the weakest brand presence, with an equal number (three) of Unocal-branded and unbranded stations in the area.

Brand	# of Stations	Market Share
Shell	7	33.3%
Chevron	6	28.6%
Unbranded	3	14.3%
Unocal 76	3	14.3%
Cardlocks	2	9.5%
Total	21	100.0%

- ☞ Two of the three unbranded stations are found on the east side of the city. Their feasibility is impaired due to significant traffic congestion and functionally obsolete designs.
- ☞ The Space Age facility--Competing Station #12--used to be branded BP and then Unocal 76. Because of its good location and condition, it could be rebranded to a major brand. However, it is unlikely this will

happen since Space Age recently purchased the station (which is cited as Improved Sale #4 later in this report).

- ➡ The trade area's upscale demographics translate to reduced customer sensitivity to fuel prices. This makes the trade area well suited to branded offerings.

Hypermarketers

- ✓ There are no hypermarketers in or around the trade area.
- ☞ There are a number of retailers in and around the trade area who do not have fueling facilities, but who have added fueling facilities at some of their other locations around the state.
- ☞ The following table shows who those retailers are, as well as their proximity to the subject on a straight-line basis. Note that the table includes all of the retailers within a three-mile radius, sorted by increasing distance from the subject, but the drive time relationships may be different.

Retailer	Address	City	Proximity
Albertson's	16199 Boones Ferry Road	Lake Oswego	1.82 mi.
Safeway	401 A Avenue	Lake Oswego	1.85 mi.
Albertson's	11 S State Street	Lake Oswego	2.26 mi.
Safeway	8145 SW Barbur Blvd	Portland	2.34 mi.
Fred Meyer	1165 SW Pacific Highway	Tigard	2.46 mi.
Winco	7500 SW Dartmouth Road	Tigard	2.47 mi.
Costco	7850 SW Dartmouth Road	Tigard	2.70 mi.
Fred Meyer	7555 SW Barbur Blvd	Portland	2.73 mi.
Safeway	17779 Boones Ferry Road	Lake Oswego	3.00 mi.

- ☞ Of the retailers shown, only the Albertson's and Safeway facilities on Boones Ferry Road have a direct transportation linkage to the subject, as they sit on the same road as the subject.
- ✓ Transportation linkages between the subject and the other seven retailers are significantly more circuitous, making their effective distance from the subject greater than is shown in the table.
- ✓ None of the retailers shown that are in Lake Oswego or Portland have sufficient real estate to support a fueling center.

- ✓ The retailers in Tigard might be able to squeeze a fueling station onto their sites, but this is unlikely given that they are highly trafficked facilities and none of them have significant land area available to support a fueling station.
- ✓ There are no sites within the trade area that are properly zoned, big enough, and available to support a new hypermarketer retailer and fueling facility.
- ➡ The subject is well insulated from current and potential hypermarketer competition.

Facility Conditions and Offerings

- ☞ The adjacent table summarizes the condition of the surveyed stations.
- ☞ The overall quality of the competitive offerings in the trade area is somewhat above average. Just under half the stations are in average condition, but there are twice as many good-quality facilities than fair-quality ones.

Condition	# of Stations	Market Share
Excellent	1	5.3%
Good	6	31.6%
Average	8	42.1%
Fair	3	15.8%
Poor	1	5.3%
Total	19	100.0%

- ✗ In its current condition, the subject is one of the three fair-quality stations in the trade area.
- ✓ When the subject is rebuilt, it will be an excellent-quality facility. The upscale construction features and inclusion of alternate fuels will bring the facility more in line with the trade area's upscale demographics.
- ☞ Just under one-half of the competing stations include a convenience store. This is an unusually low percentage, as most markets have seen c-store adoption/conversion in the 70 to 80 percent range.
- ☞ Seven stations, or one-third of the surveyed facilities, continue to have auto service bays. This is a surprisingly large percentage. Our hypothesis is that many of the surveyed facilities (1) are located along busy commuter corridors that have significant grocery-store competition, making them more fuel-oriented, or (2) are located in submarkets with upscale demographics that would have relatively low demand for the c-store staples of cigarettes and beer.
- ☞ Only one station includes a car wash, which is a small proportion of the facilities.

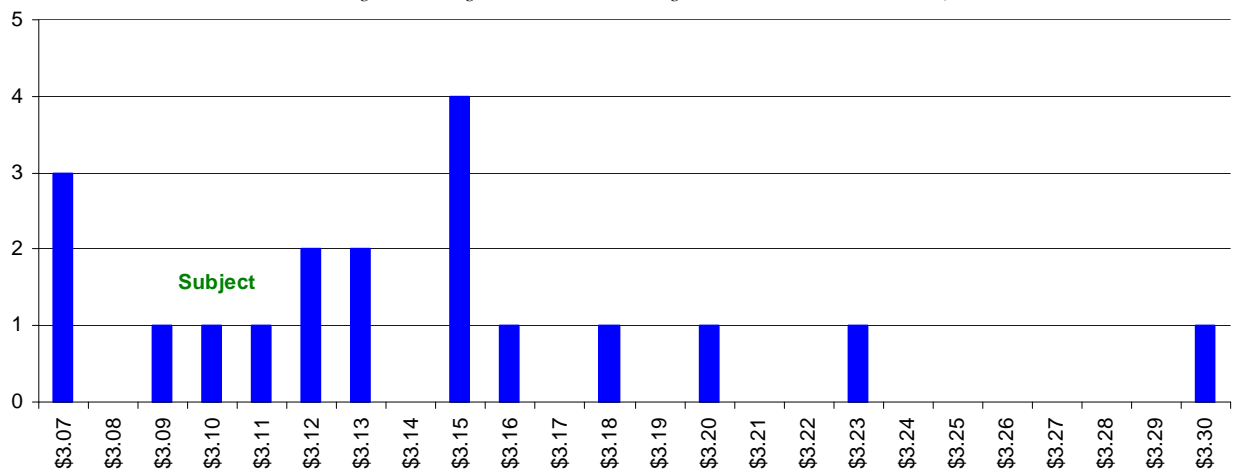
- ➡ Overall, the competition within the trade area tends to be in slightly above average condition, with secondary profit centers consisting of either a convenience store or auto service bays.

Pricing

- ☞ As shown in the Competing Stations Map on page page 16, the highest prices tend to be found on the north end of the trade area, where competition is less intense.
- ☞ Prices are also relatively high on the east side of Lake Oswego, supported by limited competition and strong demographics.
- ☞ Prices are lowest on the west, and especially the southwest, side of the trade area. Competition among several jobber-owned facilities, one of which is unbranded, is behind the low prices.
- ☞ The following chart illustrates the distribution of prices among the surveyed stations.

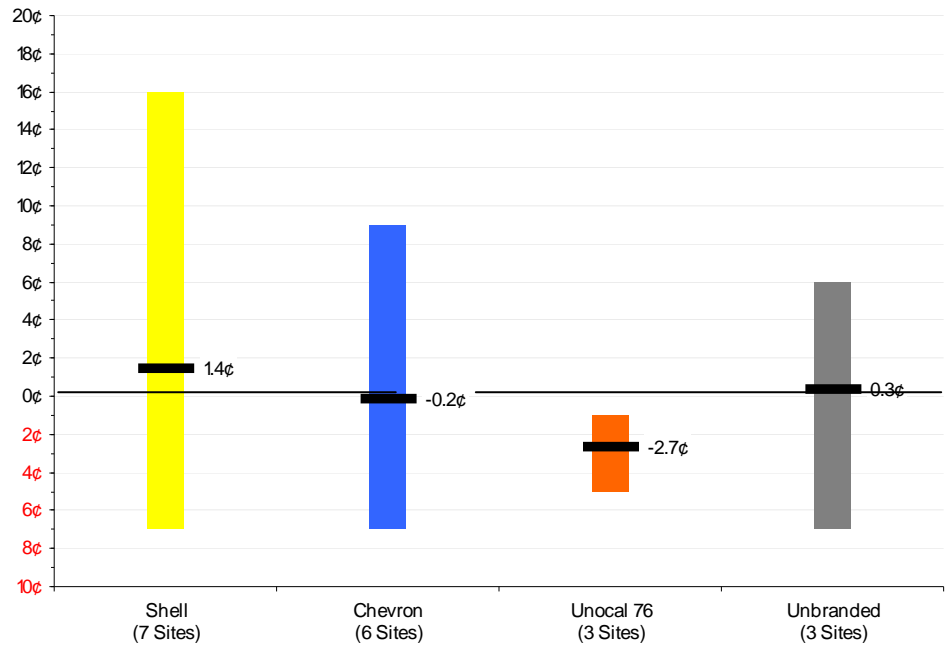
Price Distribution Among Competing Stations

Weighted Average Price Per Gallon, Reg=75%, Mid=15%, Prem=10%)



- ☞ The chart shows that the subject's prices are on the low end of the distribution.
- ☞ The subject's prices reflect the competitive pressure from the Chevron-branded station on Boones Ferry Road, which is the subject's closest competitor. However, that pressure is mitigated somewhat by the subject's insulated location and the higher prices to the north and east.

☞ The following chart shows the relative price differentials and average prices by brand.



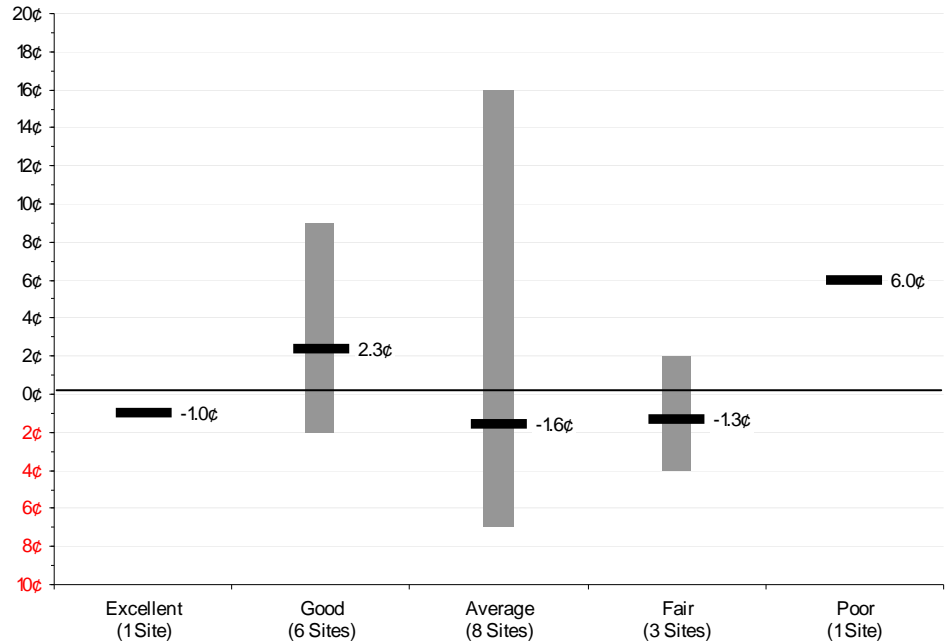
☞ Prices among the Shell-branded sites have the widest variation and the second-highest average, at 1.4¢ per gallon above the surveyed average.

☞ The Chevron-branded stations have the second largest price spread, but their average price is just under the surveyed average.

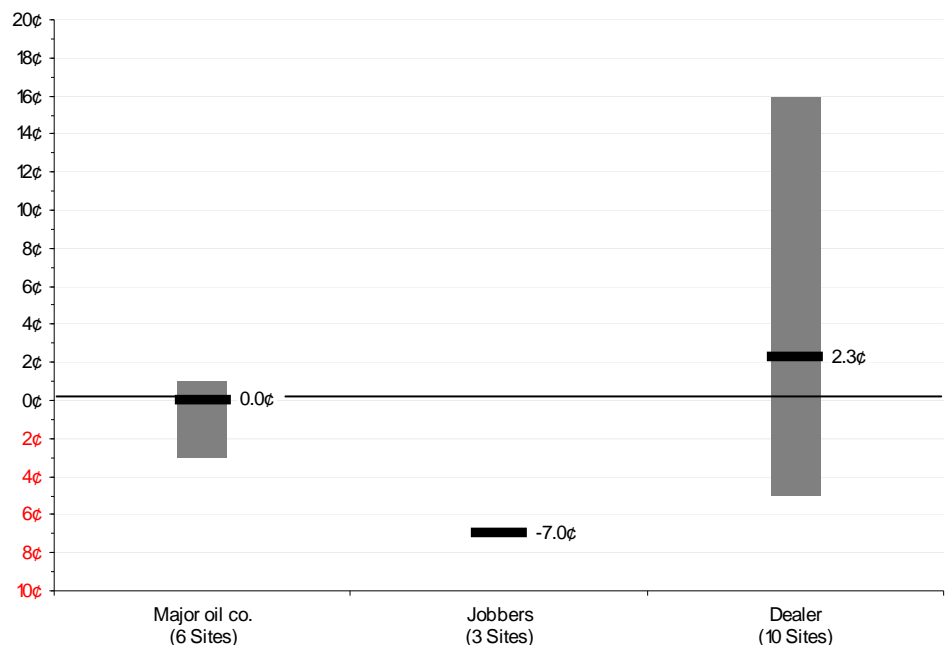
☞ The Unocal 76-branded stations have the most consistent pricing, with prices varying by only 4¢ per gallon. They are also the most aggressive competitors, with prices that average 2.7¢ per gallon lower than the surveyed average.

☞ Prices among the unbranded stations cluster within a tighter range than the Chevron stations, with an average that is just slightly higher than the surveyed average.

☞ The following chart shows the relative price differentials and average prices by facility condition.



- ☞ The average-quality sites have the largest variation in prices, but the lowest average price. The good-quality sites have the highest average price at 2.3¢ per gallon higher than the surveyed average. The one excellent-quality station prices slightly below the surveyed average, while the one poor quality station was priced well above the average.
- ☞ The following chart shows the relative price differentials and average prices by facility form of ownership/operations.



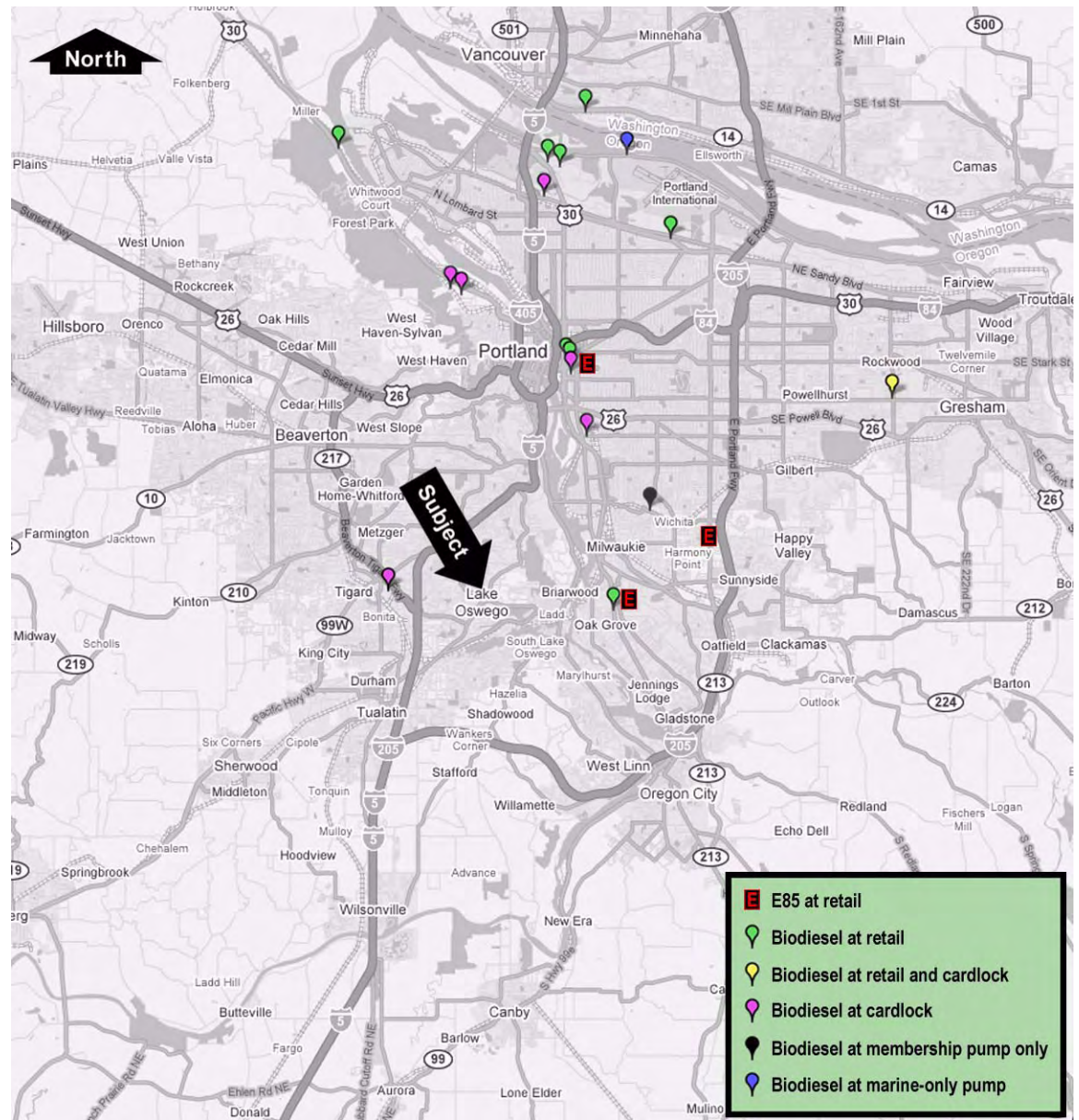
- ☞ The six stations owned/operated by a major oil company have prices that vary by only 4¢ per gallon, with an average price that is equal to the surveyed average.
- ➡ In this particular trade area, the major oil companies are not aggressive competitors, but they hold their own on price.
- ☞ The three jobber stations have the same prices, which are the lowest in the trade area at 7.0¢ per gallon below the surveyed average. All three stations are located in the southwest portion of the trade area.
- ☞ One of the jobber stations, the Chevron-branded Competing Station #15, is operated by a jobber that has a reputation for consistently posting bottom-of-the-market prices. That facility also happens to be the subject's closest competition, since it is 1.7 miles southwest of the subject along Boones Ferry Road.
- ➡ The jobber stations are the most aggressive competitors in the trade area. Their geographic concentration emphasizes and reinforces this tendency.
- ☞ The 10 dealer owned/operated stations have the widest variety of prices, spanning a range of 21¢ per gallon. The average price among those stations is 2.3¢ per gallon higher than the surveyed average.
- ➡ The dealer sites are less competitive. This is likely because dealers are only concerned with gross profit maximization at their single sites and are not concerned about maximizing volumes across multiple sites. Further, most dealers' capital/financial structure is not flexible or deep enough to allow them to pursue low-margin operating philosophies.

Pricing Conclusion

- ✓ The subject has a relatively insulated location that protects it from the most aggressive competition in the trade area.
- ✗ However, the facility does sit on the same road as two jobber-owned stations.
- ☞ Boones Ferry Road is a major linkage between the subject's immediate neighborhood and the points southwest of Lake Oswego. Local residents likely travel that route for commuting purposes and to access the retail developments around the Boones Ferry-Interstate 5 interchange.
- ✗ As a result, the jobber-driven competition in the southwest portion of the trade area has a significant secondary impact on the subject.

Alternative Fuels Availability

- ☞ All fueling facilities in the Portland metropolitan area must sell diesel that contains at least five percent biodiesel and gasoline that contains at least 10 percent ethanol.
- ☞ The following exhibit illustrates the distribution of fueling facilities in the Portland metropolitan area that sell higher-ratio biodiesel and/or ethanol-blended fuels.



- ✓ The current availability of alternative fuels in the metro area is limited.

- ✓ Retail locations with biodiesel and/or E85 tend to be located in North Portland.
- ✓ The closest retail fueling station with biodiesel and E85 is 3.5 miles east of the subject, but it sits on the east side of the Willamette River. It is far enough away and access is circuitous enough that it will not compete for alternative fuel demand within the subject's trade area.
- ✓ The closest non-retail station that sells biodiesel is a low-end cardlock in an industrial area of Tigard. That site poses minimal competition to the subject for alternative fuels.
- ✓ The Tigard cardlock is the only source of alternative fuels on the entire southwest side of the metropolitan area.
- ✓ There is only one branded station in the metropolitan area that is branded and also offers biodiesel, but that station is located at 181st Avenue and Division Street, about 12 miles east of the subject.
- ✓ The subject will be the first station in the Portland metropolitan area to offer (1) a modern design and construction, and (2) branded gasoline, and (3) biodiesel under a branded canopy, and (4) E85 under a branded canopy.
- ☞ Wealthier consumers have greater capacity to make purchase decisions driven by non-economic factors/concerns (e.g., environmental, political, geopolitical, national security, etc.).
- ☞ High-income households are more likely to own newer vehicles, and therefore to own flexible fuel or hybrid vehicles.
- ☞ Higher education levels correlate with such consumption patterns.
- ✓ The upscale demographics of the subject's trade area (e.g., household income being 57 percent higher than the state median and twice as much of the population holding a four-year degree or better versus the state) are an excellent match for alternative fuels.
- ➡ Adding alternative fuels to the subject's product offerings should meet with success. While demand is naturally limited at this time, demand will only grow, especially given the continued escalation of oil prices. Even if other stations embrace alternative fuels, it is likely to occur slowly and will not be widespread for many, many years. In the interim, the subject's insulated location in an upscale trade area should allow it to capture and retain a large share of demand for alternative fuels.

***Operations Analysis and
Pro Forma Development -
As Is Basis***

Data Availability

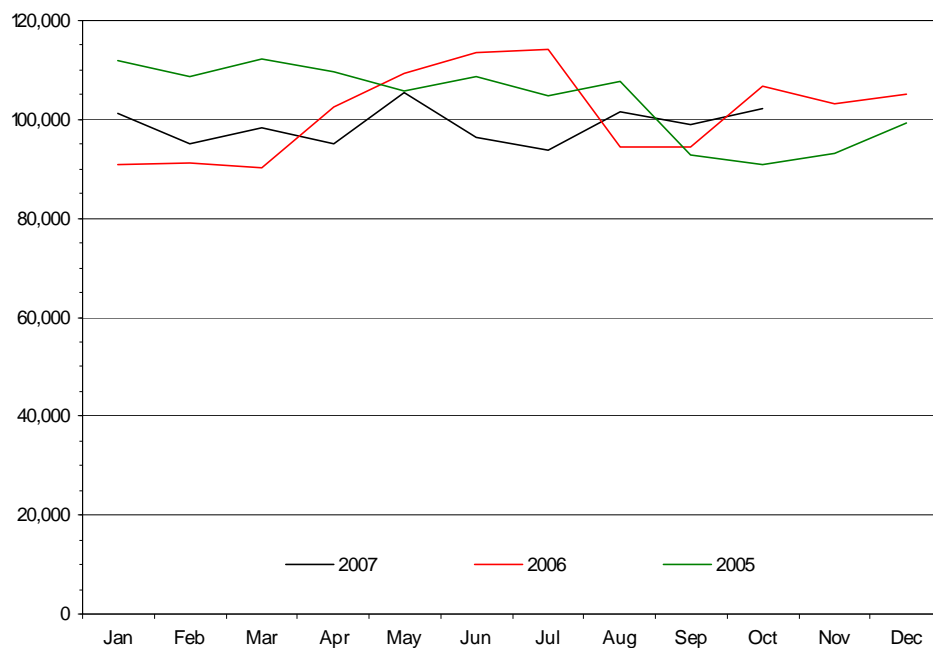
- ☞ We are typically provided three years and year-to-date of fuel volumes and non-fuel sales on a monthly basis. This level of detail is useful for identifying operational trends. Such transparency also reduces risk to a potential buyer.
- ✓ The owner was able to provide all of the sales and volume information at the requested level of detail.
- ☞ We are typically provided three years and year-to-date of income statements.
- ✓ The subject has been owned by the same dealer for a number of years. As a result, all of the requested income statements were provided us.
- ☞ The income statement on the following page shows the subject's income and expenses on a normalized basis.

Income Statements, Normalized
Mountain Park Chevron, Lake Oswego

	2005	2006	2007
Income			
Fuel			
Sales	\$2,989,258	\$3,346,468	\$3,532,333
<u>Cost of goods sold</u>	<u>2,724,226</u>	<u>3,117,317</u>	<u>3,258,547</u>
Gross fuel profits	\$265,031	\$229,151	\$273,786
Average margin	21.3 ¢ / gal.	18.8 ¢ / gal.	23.2 ¢ / gal.
Other			
Shop	\$206,835	\$174,049	\$50,939
C-store	25,751	20,905	21,044
<u>Propane</u>	<u>18,563</u>	<u>21,297</u>	<u>20,343</u>
Subtotal, other income	\$251,149	\$216,252	\$92,326
<u>Cost of goods sold</u>	<u>\$102,678</u>	<u>\$84,306</u>	<u>\$35,431</u>
Gross non-fuel profits	\$148,472	\$131,946	\$56,895
Average margin	59.1%	61.0%	61.6%
Total Gross Profits	\$413,503	\$361,097	\$330,681
Expenses			
Financial: bank fees	\$419	\$271	\$456
Financial: CC fees	51,483	58,557	59,421
Insurance: general liability	9,719	9,659	9,928
Insurance: worker's comp	4,951	5,081	2,456
Laundry and uniforms	4,571	4,409	3,473
Legal and professional	2,486	2,651	3,271
License and permits	2,472	1,561	1,980
Loss: over/short, drive-offs, etc.	1,646	2,412	3,778
Miscellaneous	(285)	(8)	1,294
Payroll: burden	18,689	17,872	14,440
Payroll: wages	178,493	158,552	113,220
Repairs and maintenance	6,793	8,730	4,209
Supplies	9,729	25,350	19,692
<u>Utilities</u>	<u>14,346</u>	<u>16,721</u>	<u>16,162</u>
Total expenses	\$305,512	\$311,818	\$253,780
Net Operating Income	\$107,991	\$49,279	\$76,901
Excluded Expenses			
Advertising: shop	-	\$421	\$521
Advertising: station	3,204	4,925	1,653
Bank expense, other	-	-	2,257
Consulting services	992	-	1,422
Depreciation	7,355	5,797	5,000
Dues	658	859	
Financial: interest	24,757	23,757	26,153
Insurance: health	7,844	9,234	4,230
Lease: station	1,938	-	-
PAC Contribution	-	-	500
Station rent/lease	50,685	50,290	48,056
Subscriptions	1,410	1,447	874
Taxes: county/local	7,716	7,739	7,850
<u>Taxes: Tri-Met</u>	<u>1,139</u>	<u>1,016</u>	<u>724</u>
Total, excluded expenses	\$107,697	\$105,484	\$99,240
Internally Re-Calculated NOI	\$294	(\$56,205)	(\$22,339)
Reported NOI	\$294	(\$56,205)	(\$22,339)
Difference	\$0.00	\$0.00	\$0.00

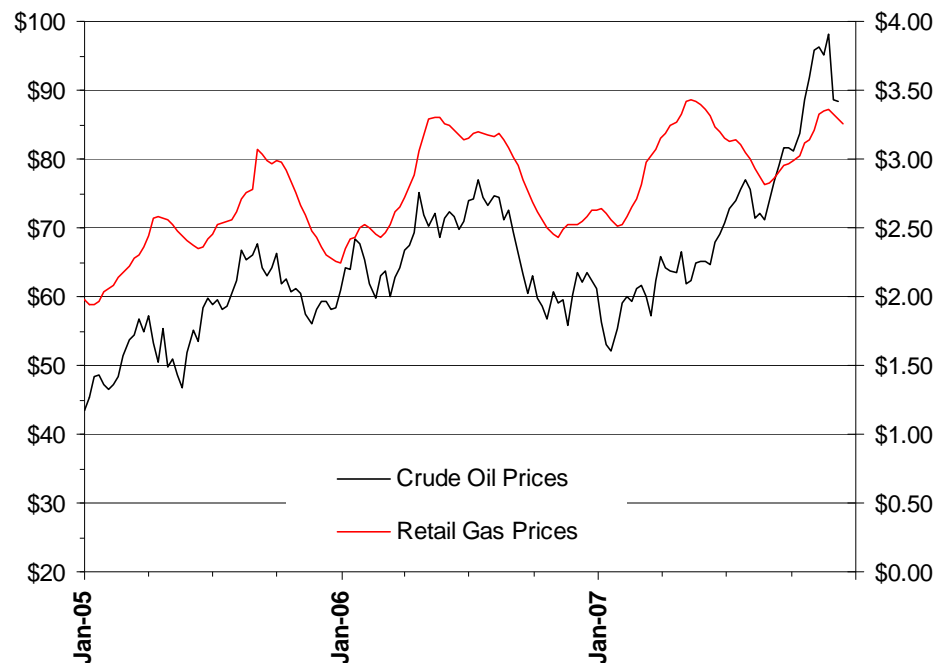
Fuel Volumes

The following chart and table illustrate the subject's monthly fuel volumes since January, 2004.



	2005	2006	2007
Jan	111,789	90,917	101,235
Feb	108,769	91,071	95,113
Mar	112,080	90,352	98,456
Apr	109,749	102,379	95,241
May	105,773	109,353	105,322
Jun	108,830	113,660	96,301
Jul	104,749	114,163	93,675
Aug	107,672	94,459	101,449
Sep	92,868	94,333	98,937
Oct	90,746	106,701	102,280
Nov	93,249	103,319	95,224
Dec	99,262	105,200	97,927
Total	1,245,534	1,215,907	1,181,160
12-mo. Avg.	103,795	101,326	98,430
% Change	-	(2.4%)	(2.9%)

- ✗ Volumes have declined by about two to three percent per year over the last couple of years.
- ☞ The subject's margin in 2007 was more than 4¢ per gallon higher than in 2006 and 2¢ per gallon higher than in 2005. This margin increase is likely related to the volume decline.
- ☞ Some of the volume decline is likely due to increasingly volatile fuel prices. The following chart shows the changes in crude oil and gasoline prices since 2005.



- ☞ When fuel prices noticeably jump within a short time frame, a segment of price-sensitive customers will alter their patronage patterns in favor of the lowest-cost stations.
- ☞ Typically, we see that up to 10 to 15 percent of a branded station's volumes might be lost during those times. However, much of the loss tends to be temporary, as volumes return once customer sensitivity to the higher fuel prices declines.
- ✓ The subject's minimal volume decline over the last few years is a reflection of the trade area's upscale demographics and customers' relatively low price sensitivity.
- ➡ A volume projection of 100,000 gallons per month is reasonable.

Fuel Margins

- ☞ Fuel margins were 21.3¢ per gallon in 2005, 18.8¢ per gallon in 2006, and 23.2¢ per gallon in 2007.
- ☞ Since the volume projection is heavily based on the most recent data, so too should the margin projection be based on data from the same period.
- ➡ A margin projection of 23¢ per gallon is reasonable.

Fuel Gross Profit Conclusion

- ➡ The subject should generate \$276,000 of annual gross profits on fuel volumes of 100,000 gallons per month at an average margin of 23¢ per gallon.

Non-Fuel Sales

- ☞ Projecting the subject's non-fuel sales is somewhat unrealistic considering the owner shut down the service operation in early 2007 ahead of the facility's reconstruction.
- ✗ Aside from propane, there have been no meaningful non-fuel sales since early 2007.
- ➡ However, since we must prepare an as-is valuation, we have relied upon the operating data prior to 2007.
- ☞ Shop sales accounted for about 80 percent of non-fuel revenue and gross profits. Shop sales were \$207,000 in 2005 and \$174,000 in 2006. Other data in our files shows that the subject's shop sales have historically varied between \$200,000 and \$280,000 per year.
- ➡ We have relied on a shop sales projection of \$200,000 per year.
- ☞ Sales of convenience store goods were relatively nominal, accounting for about 10 percent of non-fuel revenues. Sales mostly consisted of candy and cigarettes. Sales were \$26,000 in 2005 and \$21,000 in 2006. Data in our files from prior years shows convenience store sales of \$30,000 to \$33,000 per year.
- ➡ We have relied on a convenience store sales projection of \$24,000 per year.
- ☞ Propane sales have varied between \$18,600 and \$21,300 per year over the last three years.
- ➡ We have relied on a propane sales projection of \$20,000 per year.

⇒ The subject's total non-fuel sales should be \$244,000 per year.

Non-Fuel Margins

✓ The subject's margins on non-fuel sales have been quite stable over the last three years, despite the cessation of sales in 2007. Margins have varied between 59.1 percent and 61.6 percent.

☞ This margin is weighted across all three non-fuel sales categories. On a category-level basis, margins were probably around 65 percent for shop sales, 30 percent for convenience store sales, and 45 percent for propane sales.

⇒ We have relied on a margin of 61.0 percent for all non-fuel store sales.

Non-Fuel Gross Profit Conclusion

⇒ The subject should generate \$148,840 of annual gross profits on non-fuel sales of \$244,000 per year at an overall margin of 61 percent.

Gross Profit Conclusion

☞ The subject's fueling center should see annual gross profits of \$276,000, while the facility's non-fuel sales should generate annual gross profits of \$148,840.

⇒ The facility should see total annual gross profits of \$424,840 per year.

Operating Expenses

☞ We have normalized the expense structure by removing unique-to-ownership, non-cash, and discretionary expenses.

☞ Expenses were \$306,000 in 2005 and \$312,000 in 2006.

☞ At \$254,000, expenses were significantly lower in 2007 because of the closure of the shop and the resulting reduction in payroll and other related expenses.

⇒ We have relied on an annual expense estimate of \$310,000.

Net Income Conclusion

☞ Based on the historical operating data, we have estimated the subject should see annual gross profits of \$424,840 and expenses of \$310,000 per year.

⇒ The subject should generate \$114,840 per year of net operating income.

✓ Our analyses are consistent with how a potential buyer would evaluate the facility and develop a pro forma.

Owner Projections - Mountain Park Chevron Redevelopment

Variables - Fuel Volumes

	% of Vols	Gals / Mo	Gals / Yr
Regular	53.5%	72,225	866,700
Plus	9.0%	12,150	145,800
Supreme	11.0%	14,850	178,200
Diesel	5.0%	6,750	81,000
E85	21.5%	29,025	348,300
Totals	100.0%	135,000	1,620,000

Variables - Margins, Sales, and Expenses

Category	Projection
Fuel Margin	27.0¢ / gal.
Monthly store sales	\$67,000
Annual store sales	\$804,000
Store margin	32.0%
Operating expenses	\$425,000

Cash Flow Projections

Totals	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Fuel sales cycle %	8.3%	8.1%	8.3%	8.4%	8.8%	8.7%	8.6%	8.3%	7.9%	8.2%	8.2%	8.3%
Regular	72,283	70,116	71,589	73,063	76,270	75,663	74,363	72,196	68,209	71,416	71,069	71,936
Plus	12,160	11,795	12,043	12,291	12,830	12,728	12,510	12,145	11,474	12,014	11,956	12,101
Supreme	14,862	14,416	14,719	15,022	15,682	15,557	15,290	14,844	14,024	14,684	14,612	14,791
Diesel blends	6,755	6,553	6,691	6,828	7,128	7,071	6,950	6,747	6,375	6,674	6,642	6,723
E85	29,048	28,177	28,770	29,362	30,650	30,407	29,884	29,013	27,411	28,700	28,561	28,909
Total fuel gallons	135,108	131,058	133,812	136,566	142,560	141,426	138,996	134,946	127,494	133,488	132,840	134,460
Total fuel profits	\$36,479	\$35,386	\$36,129	\$36,873	\$38,491	\$38,185	\$37,529	\$36,435	\$34,423	\$36,042	\$35,867	\$36,304
Store sales cycle %	7.2%	7.0%	8.1%	7.9%	8.8%	9.0%	9.6%	9.5%	8.9%	7.8%	7.8%	8.5%
Store sales	\$57,727	\$56,200	\$64,802	\$63,838	\$70,511	\$72,360	\$77,345	\$76,460	\$71,234	\$62,953	\$62,390	\$68,099
Store gross profits	\$18,473	\$17,984	\$20,737	\$20,428	\$22,563	\$23,155	\$24,750	\$24,467	\$22,795	\$20,145	\$19,965	\$21,792
Total gross profits	\$54,952	\$53,370	\$56,866	\$57,301	\$61,055	\$61,340	\$62,279	\$60,903	\$57,218	\$56,187	\$55,832	\$58,096
Expenses, w/o mortgage	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233	\$35,233
Net operating income	\$19,719	\$18,137	\$21,633	\$22,068	\$25,822	\$26,107	\$27,046	\$25,670	\$21,985	\$20,954	\$20,599	\$22,863

**Pro Forma Development -
As Proposed Basis**

**Fuel Volumes and
Margins, Normal Fuels**

- ☞ The proposed renovations will see a complete replacement of the subject's fuel store and delivery system. However, the fueling islands' locations will not be changed, nor will the canopy structures.
- ☞ There is no reason to believe the renovations will cause future volumes and margins to be lower than what the station historically generated. At the very least, volumes and margins should be unchanged.
- ☞ Because customers tend to favor new over old, properties with new construction tend to see somewhat better patronage.
- ☞ The proposed renovations will bring the subject facility more in line with the trade area's upscale expectations, as reflected by its upper-end demographics.
- ☞ We believe the facility's fuel volumes will see an increase in fuel volumes of about 10 percent.
- ➡ It is reasonable to rely on a fuel volume projection of 110,000 gallons per month in the as-proposed condition.
- ☞ Margins are unlikely to be impacted by the renovations.
- ➡ It is appropriate to rely on our as-is fuel margin of 23¢ per gallon for the as-proposed condition.

**Fuel Volumes and
Margins, Alternative
Fuels**

- ☞ Projecting biodiesel and ethanol fuel volumes and margins is problematic given how early the industry is in its adoption of these fuels.
- ☞ We have operating data from the only alternative fuel station in the state, which is a SeSequential facility in Eugene (Petroleum Realty Advisors provides brokerage and consulting services to SeSequential). However, we are unable to disclose any of the information in our possession.
- ☞ We can state that the SeSequential station in Eugene has a relatively poor location and its performance has exceeded expectations.
- ☞ One of the reasons the SeSequential station has done well is because it is an alternative to "Big Oil". The subject will not have that advantage since its alternate fuels will be sold under Chevron-branded canopies.

- ☞ Further, Eugene's demographics tend to be closely aligned with SeQuential's message and product offerings. The subject will not have that advantage since its trade area's political leanings tend to be more conservative than Eugene's.
- ☞ The owner has done his own research into alternative fuels around the region, and he believes the station should see 30,000 gallons per month at an average margin of 30¢ per gallon.
- ✓ Margins on alternative fuels tend to be higher than on conventional fuels in part because of the minimal competition at the retail level.
- ✓ Based on the confidential data in our files, we believe the owner's projections are reasonable. Indeed, they are likely conservative in the long run.
- ⇒ We have relied on an alternative fuel volume projection of 30,000 gallons per month and a margin of 30¢ per gallon.

Gross Fuel Profits Conclusions

- ☞ The subject should generate \$303,600 per year of gross profits from the sale of typical fuels, based on volumes of 110,000 gallons per month at an average margin of 23¢ per gallon.
- ☞ The subject should generate \$108,000 per year of gross profits from the sale of alternative fuels, based on volumes of 30,000 gallons per month at an average margin of 30¢ per gallon.
- ⇒ The total fuel gross profits that the subject should generate equals \$411,600 per year.

Non-Fuel Sales and Margins

- ☞ We assembled data from a number of comparable stations we have appraised in the last year or so, all of which include retail fuel and an relatively new/upscale convenience store. For confidentiality reasons, we have limited identifying information to brand and state. The data is shown in the following table.

#	Brand	State	Fuel Sales		C-Store Sales		
			Gallons	Margin	Sales	\$ / Gal.	Margin
1	Shell	OR	194,000	19.0¢ / gal.	\$59,000	30¢ / gal.	31.0%
2	Chevron	OR	148,000	19.0¢ / gal.	\$70,000	47¢ / gal.	26.0%
3	Chevron	OR	95,000	26.8¢ / gal.	\$48,000	51¢ / gal.	40.0%
4	Chevron	OR	375,000	20.5¢ / gal.	\$89,000	24¢ / gal.	33.2%
5	Chevron	OR	225,000	19.0¢ / gal.	\$72,000	32¢ / gal.	26.0%
6	Chevron	OR	180,000	23.0¢ / gal.	\$75,000	42¢ / gal.	32.0%
7	Chevron	OR	140,000	27.0¢ / gal.	\$49,000	35¢ / gal.	27.5%
8	Chevron	WA	225,000	14.0¢ / gal.	\$60,000	27¢ / gal.	32.0%
9	Chevron	WA	198,500	11.7¢ / gal.	\$98,500	50¢ / gal.	30.0%
10	Chevron	WA	189,000	15.5¢ / gal.	\$140,000	74¢ / gal.	27.0%
	Minimum		95,000	11.7¢ / gal.	\$48,000	24¢ / gal.	26.0%
	Average		196,950	19.6¢ / gal.	\$76,050	41¢ / gal.	30.5%
	Median		191,500	19.0¢ / gal.	\$71,000	38¢ / gal.	30.5%
	Maximum		375,000	27.0¢ / gal.	\$140,000	74¢ / gal.	40.0%

- ☞ Stations 1, 2, and 3 are among the stations we surveyed and analyzed as part of the supply/demand analysis. That is, they lie within the subject's greater trade area.
- ☞ Stations 4 and 5 sit on the south side of the Portland metropolitan area in trade areas that have strong demographics and good insulation from competition.
- ☞ Station 6 is the owner's station in Hillsboro.
- ☞ Stations 7 through 10 are simply additional data points from other stations in the Portland metropolitan area.
- ☞ The data's average and median figures support a sales projection of about \$70,000 to \$75,000 per month.
- ☞ The owner of the subject also owns several Chevron-branded stations with convenience stores in Vancouver. They are located in trade areas with weaker demographics than the subject and have average monthly sales of \$57,000, \$58,000, and \$71,000.
- ☞ The following table shows the sales data from the comparable facilities, but calculated on a per square foot basis.

#	Brand	State	Sales	Margin	Bldg Area	Sales / Sq Ft
1	Shell	OR	\$59,000	31.0%	1,314 sq ft	\$539 / sq ft
2	Chevron	OR	\$70,000	26.0%	2,520 sq ft	\$333 / sq ft
3	Chevron	OR	\$48,000	40.0%	2,345 sq ft	\$246 / sq ft
4	Chevron	OR	\$89,000	33.2%	2,295 sq ft	\$465 / sq ft
5	Chevron	OR	\$72,000	26.0%	2,484 sq ft	\$348 / sq ft
6	Chevron	OR	\$75,000	32.0%	3,000 sq ft	\$300 / sq ft
7	Chevron	OR	\$49,000	27.5%	2,761 sq ft	\$213 / sq ft
8	Chevron	WA	\$60,000	32.0%	2,499 sq ft	\$288 / sq ft
9	Chevron	WA	\$98,500	30.0%	2,864 sq ft	\$413 / sq ft
10	Chevron	WA	\$140,000	27.0%	3,549 sq ft	\$473 / sq ft
	<i>Minimum</i>		\$48,000	26.0%	1,314 sq ft	\$213 / sq ft
	<i>Average</i>		\$76,050	30.5%	2,563 sq ft	\$362 / sq ft
	<i>Median</i>		\$71,000	30.5%	2,510 sq ft	\$341 / sq ft
	<i>Maximum</i>		\$140,000	40.0%	3,549 sq ft	\$539 / sq ft

- ☞ The subject's proposed convenience store will be 3,776 square feet.
- ☞ The worst performing comparable generates \$213 per square foot per year of store sales. If the subject's proposed store performs at this level, it would see sales of \$67,000 per month.
- ☞ If the proposed store performs at the average/median level shown by the comparables, it would see sales of about \$107,000 to \$113,000 per month.
- ☞ If it performs at the maximum level shown by the comparables, it would see sales of \$170,000 per month.
- ☞ There is an average convenience store adjacent to the subject to the west that will compete with the subject's new store. Further, there is a New Seasons grocery store in the shopping center to the north.
- ☞ The New Seasons building used to be a Thriftway, which was a typical grocery store. The upscaling of that facility bodes well for the subject's proposed store, both in terms of upscaling precedent in the neighborhood and the opportunity to offer mainstream products (non-organic) in a more accessible and convenient location.

- ☞ The owner projects the subject should see store sales of \$75,000 per month.
- ☞ We conclude the data supports the owner's projection. There appears to be a greater probability that the store will do better than projected than there is of falling short of the projection. However, given that the facility's fuel volumes fall short of what one might otherwise predict given its insulated location and the underserved nature of the local trade area, it is prudent to err on the conservative side with the store sales projection.
- ➡ We conclude the subject's proposed convenience store should see sales of \$75,000 per month.
- ☞ The average store margin among the three comparable stations in the subject's trade area is 32.3 percent.
- ☞ Four of the remaining seven comparables bracket a margin range of 30.0 percent to 33.2 percent.
- ☞ The national average margin on convenience store sales was 28.0 percent in 2006.
- ✓ We expect the subject's margin to be higher than the national average. The trade area's high income levels should equate to reduced price sensitivity, which should allow for higher margins across all categories.
- ✓ The subject's store sales composition will likely favor higher margin goods. For example, given the high education levels in the neighborhood, smoking rates are likely to be below average and therefore cigarette and tobacco sales will constitute a smaller percentage of sales, as compared to the national average. Since cigarettes are one of the lowest-margin categories, this will help increase the subject's overall margin. In addition, the trade area's high income levels likely translates to higher-margin, upscale products.
- ➡ We conclude a margin of 32.0 percent is reasonable for the subject's store sales.
- ☞ In addition to the store sales, the subject will continue to sell propane. We do not believe that propane sales will be materially impacted by the proposed changes.
- ➡ We have included \$20,000 per year of propane sales at an average margin of 40 percent.

Non-Fuel Gross Profits Conclusion

- ☞ The subject should see \$288,000 per year of gross profits on store sales of \$75,000 per month at an average margin of 32 percent.
- ☞ The subject should see \$8,000 per year of gross profits on propane sales of \$1,667 per month at an average margin of 40 percent.
- ➡ The subject's total non-fuel gross profits should be \$296,000 per year.

Gross Profit Conclusion

- ☞ The subject's fuel center should generate \$411,600 per year of gross profits from the sale of typical and alternative fuels.
- ☞ The subject should see non-fuel gross profits of \$296,000 per year.
- ➡ The facility should see total annual gross profits of \$707,600 per year in the as-proposed condition.

Expenses

- ☞ The following table summarizes our projection of the subject's operating expenses:

Category	Estimate	Basis
Bank charges	\$3,000	\$250 per month
Financial: credit card fees	83,100	1.5% of facility revenues
Insurance	10,000	Expense comparables
Licenses and permits	1,600	Estimate
Loss: cash o/s, NSF, etc.	1,200	\$100 per month
Payroll: wages	220,000	Expense comparables
Payroll: burden	24,200	11.0% of wages
Rent: POS equipment	4,800	Estimate
Repairs and maintenance	6,000	Expense comparables
Supplies	12,000	Expense comparables
Taxes: property	25,000	Estimate
<u>Utilities: total</u>	<u>22,000</u>	<u>Expense comparables</u>
Expense total	\$412,900	

- ☞ The owner has projected total operating expenses of \$425,000 per year, based on the operations at the four other stations he owns.
- ✓ Our line-item estimate supports the owner's expense projection.

⇒ We conclude an annual expense estimate of \$415,000 is reasonable.

Net Operating Income Conclusion

⇒ The subject should generate about \$707,600 per year of gross profit in the as-proposed configuration. Deducting the estimated operating expenses of \$415,000 leaves net operating income of \$292,600 per year.

Future Valuation Dates

Date of Completion

☞ Gas stations typically take three to four months to build once ground is broken.

☞ We assume that all financing and government approval hurdles can be crossed by April 1, 2008. This is reasonable because the owner has been working with the City of Lake Oswego for many months now and receipt of all permits should be imminent.

⇒ Assuming a four-month build period puts the date of completion at August 1, 2008.

Date of Stabilization

☞ Because of the subject's neighborhood location, knowledge of its redevelopment should become pervasive within the trade area fairly quickly.

☞ Even with broad awareness of the facility, customer patronage patterns will take some time to shift.

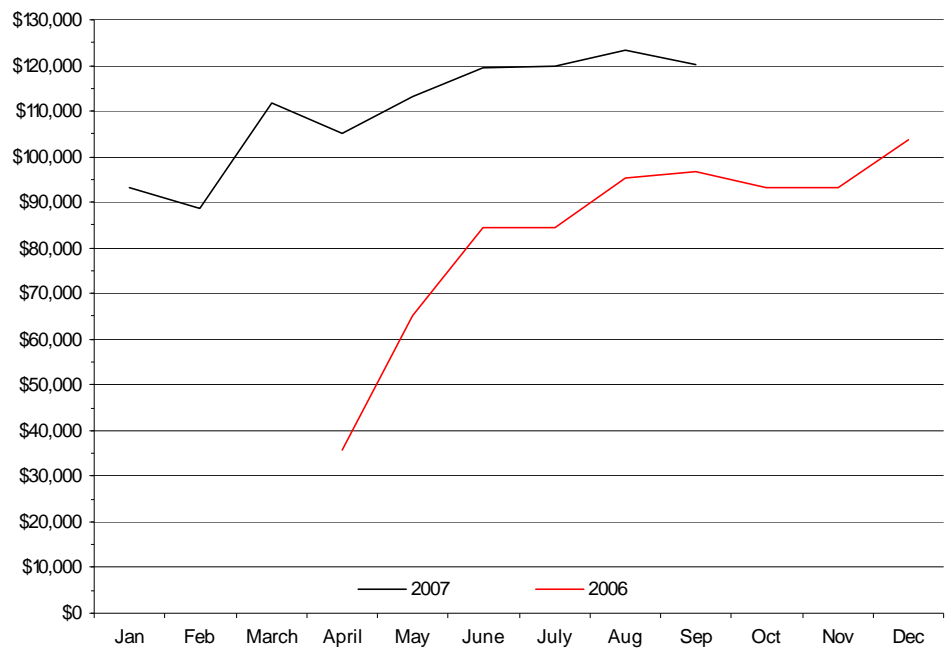
⇒ We expect the subject should reach a stable level of typical fuel sales within 12 months of opening.

⇒ Predicting a date of stabilization for the alternative fuels is problematic, as the market for such fuels is nowhere near stabilized yet. The subject will likely see slow and steady growth of alternative fuel volumes for many years to come. However, we believe our 30,000 gallon per month projection should be achievable within 12 months, assuming an appropriate level of advertising is undertaken.

☞ Normally we would not include the advertising caveat, but because alternative fuels are at the infancy stage, potential customers need to be educated about the availability of such fuels.

☞ Convenience stores typically take longer to stabilize since patronage patterns are slower to fully adapt to the new offering in the market.

☞ The following chart graphically illustrates the ramp-up period of a new convenience store we recently appraised.



☞ Based on this data and our observations of other convenience stores, we believe the subject will likely take 16 to 18 months to reach a stable level of sales.

➡ Relying on a mid-point of this range puts the projected stabilization date for the entire subject facility at December 31, 2009.

Sales Comparison

Approach - As-Is

Introduction of Sales

- ☞ Gas stations are income-generating properties whose value is based on their ability to generate cash flows. There is absolutely no manner of correlating a gas station's physical features with its value. Physically similar stations can generate very different levels of income.
- ☞ The only way to prepare a sales comparison approach analysis is via a gross price analysis, similar to how a buyer would evaluate multiple listings. The following table summarizes the salient data on five improved sales. A location map and photos of each of the comparables can be found in the Addendum.

Sale	1	2	3	4	5
Date	Jun-04	Mar-05	Jun-05	Aug-06	Mar-07
Brand	Shell	Chevron	Chevron	Space Age	Chevron
Address	9920 Sandy Boulevard	10025 NW Glencoe Road	17830 SW Boones Ferry Road	17895 SW McEwan Road	9138 SE Foster Road
City	Portland	North Plains	Lake Oswego	Lake Oswego	Portland
Map	1N-2E-21AD	1N-3W-1DC	2S-1E-18CB	2S-1E-18CB	1S-2E-16CA
Tax lot(s)	3500, 3600, 5400, 5500	6300, 6400	400	701	10400
Account(s)	R235759, R235758, R235740, R235738	R732096, R732103	00339093	00339128	R221699
Grantor	John Carson, trustee	Market Express/ North Plains, LLC	Alan and Christine Bowdish	Lake Grove Oil, Inc	Woo Properties, LLC
Grantee	TMSP, Inc.	In.Grace, LLC	Fardanesh Enterprises, LLC	Pliska Investments, LLC	JK Petroleum, LLC
Recording	2004:119103	2005:35790	2005:59326	2006:81675	2007:41950
RE-only price	\$2,025,000	\$3,685,000	\$1,525,000	\$1,335,000	\$1,880,000
Year built/updated	1995	1998	1995	1980	1968 / 1990
Effective age at sale	5 yrs.	5 yrs.	7 yrs.	10 yrs.	12 yrs.
Station site area	0.95 acres	1.69 acres	0.73 acres	0.34 acres	0.36 acres
Main building area	2,660 sq ft	3,850 sq ft	2,520 sq ft	160 sq ft	1,512 sq ft
Secondary bldg area	-	-	-	50 sq ft	-
Land-building ratio	15.5-to-1	19.1-to-1	12.7-to-1	92.6-to-1	10.4-to-1
Canopy area	4,336 sq ft	4,976 sq ft	4,634 sq ft	2,100 sq ft	1,272 sq ft
Fueling positions	16	18	12	10	8
Condition	Average	Excellent	Average	Average	Average

Confidentiality Issues

- ☞ As clients, lending institutions, and the federal government have become more sensitive to the disclosure of private data, it has become necessary to disclose less information about the particulars of comparable sales, especially in cases where we have appraised a property that subsequently sells.
- ➡ As a result, the previous table only shows information that is either readily available in the public domain or is the result of our own proprietary analyses.

Comparisons

- ☞ The following table compares each of the comparable sales to the subject in five major categories, emulating the broad comparisons buyers do when evaluating gas stations that are available for sale.

Sale #	1	2	3	4	5
Date	Jun-04	Mar-05	Jun-05	Aug-06	Mar-07
Brand	Shell	Chevron	Chevron	Space Age	Chevron
City	Portland	North Plains	Lake Oswego	Lake Oswego	Portland
Relative Comparisons					
Fuel Volumes	Ext. superior	Ext. superior	Very superior	Very superior	Ext. superior
Fuel Margins	Very inferior	Sl. inferior	Inferior	Inferior	Very inferior
Non-Fuel Sales	Ext. superior	Ext. superior	Ext. superior	Very inferior	Ext. superior
Building Size	Sl. superior	Very superior	Sl. superior	Ext. inferior	Inferior
Property Condition	<u>Sl. superior</u>	<u>Very superior</u>	<u>Sl. superior</u>	<u>Sl. superior</u>	<u>Sl. superior</u>
Overall Comparison	Very superior	Ext. superior	Very superior	Sl. superior	Very superior
Value Indications					
Real Estate-Only Price	\$2,025,000	\$3,685,000	\$1,525,000	\$1,335,000	\$1,880,000
Adjustment	<u>(50%)</u>	<u>(75%)</u>	<u>(40%)</u>	<u>(5%)</u>	<u>(40%)</u>
Value indication	\$1,010,000	\$920,000	\$920,000	\$1,270,000	\$1,130,000

- ☞ Taken together, the comparables indicate the subject's value should fall in a range from \$920,000 to \$1,270,000, with an average of \$1,050,000 and a median of \$1,010,000.
- ➡ We conclude the sales comparison approach indicates the subject property's as-is, fee-simple market value as of February 18, 2008, was

ONE MILLION TWENTY FIVE THOUSAND DOLLARS

\$1,025,000

Income Approach - As-Is

Introduction

- ☞ Because gas stations sell almost entirely based on their cash flows, the income approach is the most important valuation tool.
- ☞ Capitalization rate-based analyses are the norm when it comes to valuing most commercial real estate. This is because revenue and expenses can be predicted with a relatively high degree of confidence.
- ☞ This is not the case with gas stations, where estimating gross profits is relatively straightforward, but projecting expenses is much more difficult for two reasons:
 - (1) Historical expenses tend to include owner-specific and/or discretionary expenses that can not be specifically identified and extracted.
 - (2) Expense structures vary based on ownership. Buyers generally believe they can run a station better than the seller, so they almost always base their analyses on a different expense structure. This is why most brokers disclose only limited expense information, if at all, leaving such analysis up to the prospective buyers.
- ➡ Direct capitalization is therefore a secondary tool for valuing gas stations, and can only be applied when adequate expense data is available. In contrast, because it is relatively straightforward to calculate a facility's gross profit, the primary valuation tool is the gross profit multiple.
- ☞ The following table presents the gross profit multiples and overall rates for the sales presented in the sales comparison approach.

Sale	1	2	3	4	5
Date	Jun-04	Mar-05	Jun-05	Aug-06	Mar-07
Brand	Shell	Chevron	Chevron	Space Age	Chevron
Address	9920 Sandy Boulevard	10025 NW Glencoe Road	17830 SW Boones Ferry Road	17895 SW McEwan Road	9138 SE Foster Road
City	Portland	North Plains	Lake Oswego	Lake Oswego	Portland
RE-only price	\$2,025,000	\$3,685,000	\$1,525,000	\$1,335,000	\$1,880,000
NOI-GP Ratio	41%	34%	37%	50%	34%
Gross profit multiple	3.0	3.5	2.7	3.4	3.4
Overall rate	13.6%	9.9%	13.5%	15.4%	10.2%

Inclusion of Non-Realty Values

- ☞ It is important to note that the multiples and overall rates are based on the *allocated real estate value* of each sale.
- ☞ The multiples and overall rates therefore reflect the relationship between each facility's income and its real estate component *only*.
- ☞ Further, each of the multiples/rates is based on a basic profit center configuration that consists of a fueling center and one secondary profit center, such as a convenience store or car wash. That is, if a comparable sale included secondary income such as an espresso stand, leased service bays, cell tower lease, etc., then the value associated with that income stream was deducted from the price paid before the gross profit multiples and overall rates were calculated.

Gross Profit Multiple

- ☞ Historically, we have seen that gross profit multiples for Oregon stations range from 2.7 to 3.5, with a strong tendency toward the middle of the range.
- ☞ This data set shows multiples that are skewed toward the upper end of the historical range.
- ✗ In its as-is condition, the subject's desirability would be impaired due to its lack of a convenience store and the inclusion of service bays. Further, its overall condition would be a negative.
- ☞ With the subject being a below-average facility in its as-is condition, there is little motivation for the market to pay a premium for it. Conversely, it has a fairly stable volume history and the competitive risks are constrained. We believe a multiple of 2.7 is reasonable for the subject in its as-is condition.
- ➡ Applying this multiple to our pro forma gross profit of \$424,840 yields a value indication of \$1,147,068, rounded to \$1.15 million.

Overall Rate

- ☞ The overall rates from the sales range from about 10 to 15 percent.
- ☞ The comparables tend to bracket a range of 10 to 13.5 percent, which is consistent with data we have analyzed in other reports.
- ☞ An overall rate of 12 percent is consistent with the subject's positive and negative factors, as discussed throughout this report.

- ➡ Capitalizing the subject's \$114,840 of pro forma net income at 12 percent yields a value indication of \$957,000, rounded to \$960,000.

Conclusion

- ✓ The value indications from the gross profit multiple and overall rate analyses are very similar.
- ➡ We conclude the income approach indicates the subject gas station had an as-is, fee-simple market value as of February 18, 2008, of

ONE MILLION FIFTY THOUSAND DOLLARS

\$1,050,000

Value Conclusion - As-Is

- ☞ The sales comparison approach yielded \$1,025,000, while the income approach, which should carry the most weight, generated an indication of \$1,050,000.
- ☞ When gas stations transact between unrelated market participants, they do not rely on a cost approach. Buyers and sellers are only concerned with the value that can be supported by the cash flows.
- ☞ As a result, the cost approach is not an appropriate valuation methodology and the income approach should carry the most weight.
- ☞ Overall, we conclude the subject had an as-is, fee-simple market value as of February 18, 2008, of

ONE MILLION FIFTY THOUSAND DOLLARS

\$1,050,000

**Sales Comparison
Approach - As-Proposed**

☞ The following table compares each of the comparable sales to the subject in its as-proposed condition, emulating the comparisons buyers perform.

Sale #	1	2	3	4	5
Date	Jun-04	Mar-05	Jun-05	Aug-06	Mar-07
Brand	Shell	Chevron	Chevron	Space Age	Chevron
City	Portland	North Plains	Lake Oswego	Lake Oswego	Portland

Relative Comparisons					
Fuel Volumes	Very superior	Very superior	Similar	Sl. superior	Superior
Fuel Margins	Ext. inferior	Inferior	Inferior	Inferior	Very inferior
Non-Fuel Sales	Superior	Very superior	Sl. inferior	Ext. inferior	Very inferior
Building Size	Inferior	Similar	Inferior	Ext. inferior	Ext. inferior
Property Condition	<u>Inferior</u>	<u>Similar</u>	<u>Inferior</u>	<u>Inferior</u>	<u>Inferior</u>
Overall Comparison	Sl. inferior	Superior	Very inferior	Ext. inferior	Ext. inferior

Value Indications					
Real Estate-Only Price	\$2,025,000	\$3,685,000	\$1,525,000	\$1,335,000	\$1,880,000
Adjustment	<u>+10%</u>	<u>(30%)</u>	<u>+25%</u>	<u>+75%</u>	<u>+30%</u>
Value indication	\$2,230,000	\$2,580,000	\$1,910,000	\$2,340,000	\$2,440,000

☞ Taken together, the comparables indicate the subject's value should fall in a range from \$1,910,000 to \$2,580,000, with an average of \$2,300,000 and a median of \$2,340,000.

➡ We conclude the sales comparison approach indicates the subject property's as-proposed, fee-simple market value as of August 1, 2008, will likely be

TWO MILLION THREE HUNDRED TWENTY FIVE THOUSAND DOLLARS
\$2,325,000

Income Approach - As-Proposed

✓ After the subject's construction is completed, the facility will move from being an old service-bay station to a modern convenience store/gas station/alternative fuel facility. Further, the fuel storage and delivery system will be completely modern.

- ✓ The inclusion of a convenience store will greatly enhance the property's desirability.
- ✓ In its as-proposed configuration, the subject will be as optimized as possible, which should allow it to achieve the highest value possible, especially in the context of its insulated location.
- ➡ A gross profit multiple of 3.5 is reasonable in the as-proposed condition.
- ☞ Multiplying the \$707,600 of pro forma gross profits by 3.5 yields a value indication of \$2,476,600, rounded to \$2.48 million.
- ☞ Once the proposed construction is completed, the market will be more tolerant of risk due to the new condition of the improvements and the costs sunk into the redevelopment.
- ☞ Once the subject achieves a stable level of operations, the risk associated with the income stream will decrease. When that occurs, the overall rate should be lower than the rate in the as-is condition.
- ☞ However, there is risk associated with taking the project from its as-is condition through the at-stabilization condition. We therefore believe an overall rate slightly lower than the as-is rate is appropriate.
- ☞ We conclude an overall rate of 11.5 percent is reasonable.
- ☞ Dividing the \$292,600 of pro forma net income by 11.5 percent yields a value indication of \$2,544,348, rounded to \$2.54 million.
- ➡ We conclude the income approach indicates the subject property's as-proposed, fee-simple market value as of August 1, 2008, will likely be

TWO MILLION FIVE HUNDRED THOUSAND DOLLARS

\$2,500,000

Value Conclusion - As-Proposed

- ☞ Once completed, the subject will be somewhat unusual due to a number of factors: its insulated location; its inclusion of alternative fuels; its flexible fuel storage system will make it well positioned to adapt to changing demand for different fuels; its location in a demographically upscale trade area; and its all-new construction.

- ☞ These factors should allow it to generate higher margins compared to other stations in the area. As a result, a larger share of its gross profits will flow through to the bottom line as net income. This makes the comparable sales presented less comparable and argues for putting all of the weight on the income approach.
- ➡ We conclude the subject property's as-proposed, fee-simple market value as of August 1, 2008, will likely be

TWO MILLION FIVE HUNDRED THOUSAND DOLLARS

\$2,500,000

Value Conclusion - At-Stabilization

- ☞ As discussed above, once construction on the subject is completed, it will have a number of significant positive factors.
- ☞ Given the size of the investment necessary to get the station to the at-completion condition, we believe most market participants would not differentiate between at-completion and at-stabilization values. This is especially true since the subject should face long-term growth due to its early-stage positioning vis-a-vis alternative fuels.
- ☞ Any advertising costs that must be incurred to maximize alternate fuel sales and get the property to a stabilized level fall within the margin of error of the valuation model. Further, we do not believe the average market participant would make such a nominal adjustment, especially given the scope of the investment in the redevelopment project.
- ➡ We therefore conclude the at-completion and at-stabilization values should be the same.

Marketing Time

- ☞ Most of the improved sales presented in this report show marketing times of 6 to 12 months. We believe that if the station were placed on the market with a broker knowledgeable in petroleum marketing assets, a sale could be consummated within 12 months.

Market Exposure

- ☞ Market exposure refers to how long the subject would have had to be exposed to the market before consummating a sale as of our date of value. It is a backward-looking concept. We do not have sufficiently-refined market data to conclude that the market exposure would be any different than the marketing time and therefore conclude that market exposure would have been 12 months.

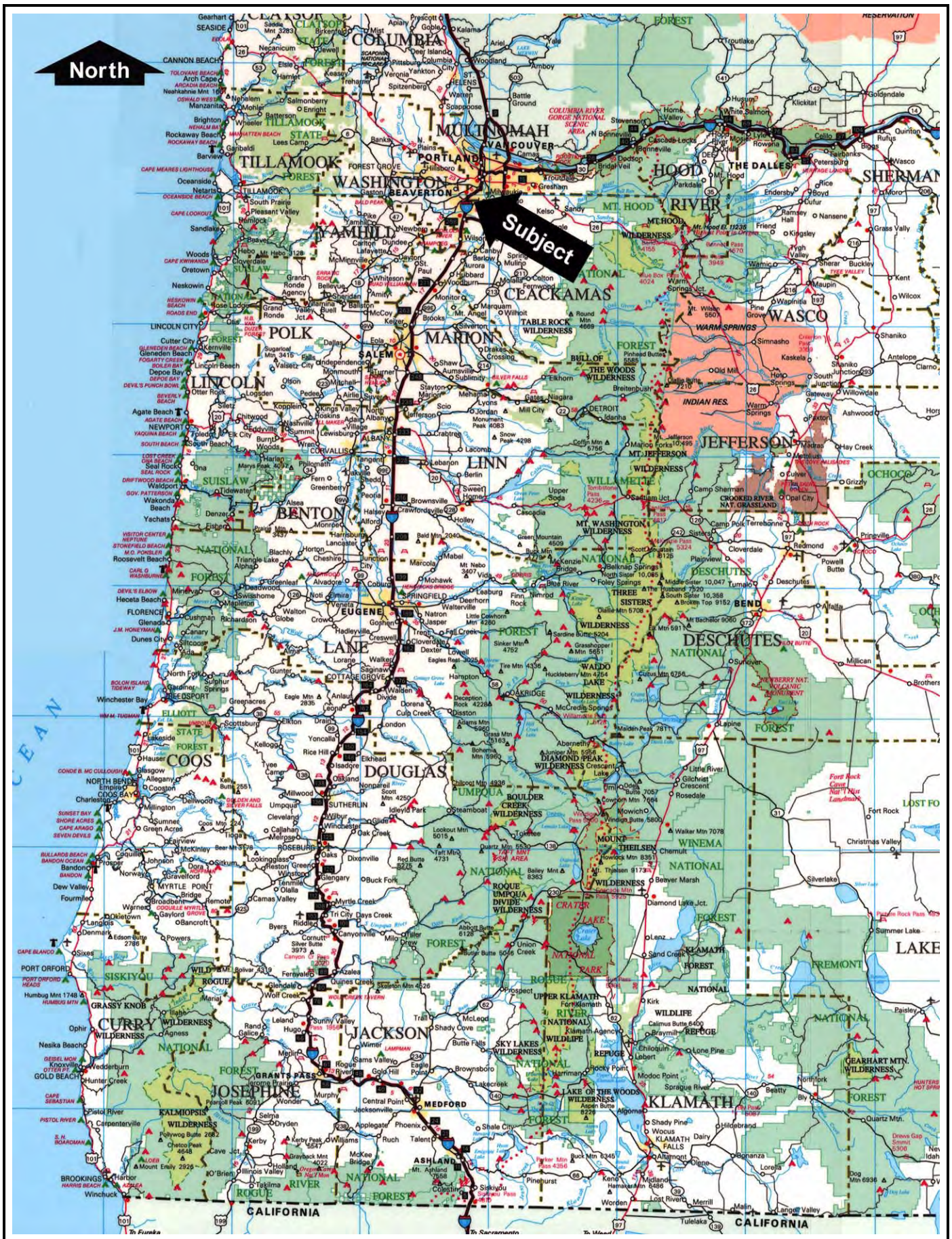
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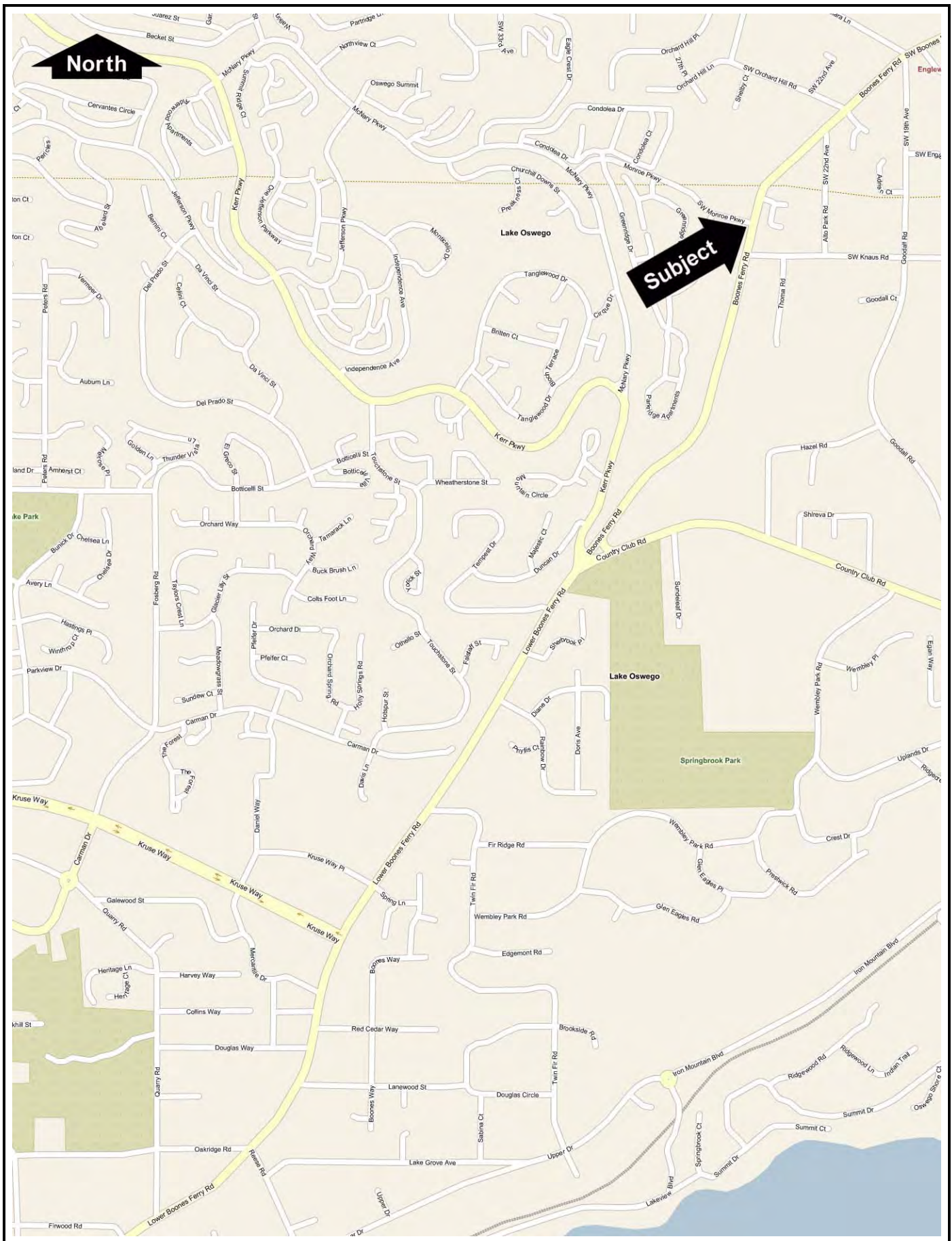
This sample report does not include a complete addendum. The following documents were included in the report that was prepared for, and delivered to, the client:

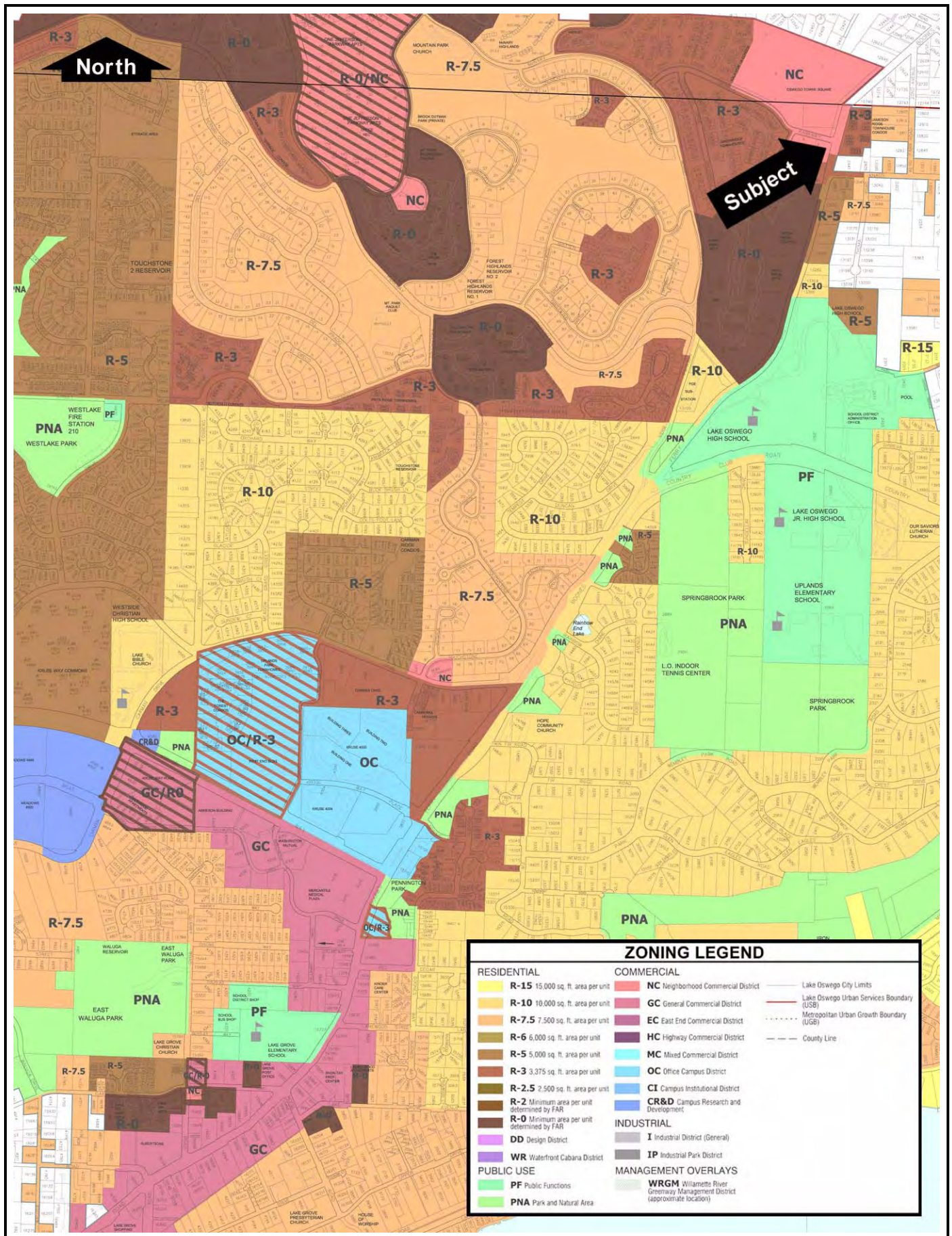
- Appraisal Engagement
- Appraisal Definitions
- Petroleum Industry
- Petroleum Industry
- Subject Exhibits
- Subject Deeds
- Chevron Supply Contract
- Zoning
- Environmental Assessment
- Title Report
- Title Exception Documents
- Select Blueprints of Proposed Construction
- Construction Cost Proposal
- Improved Sales Exhibits
- Qualifications

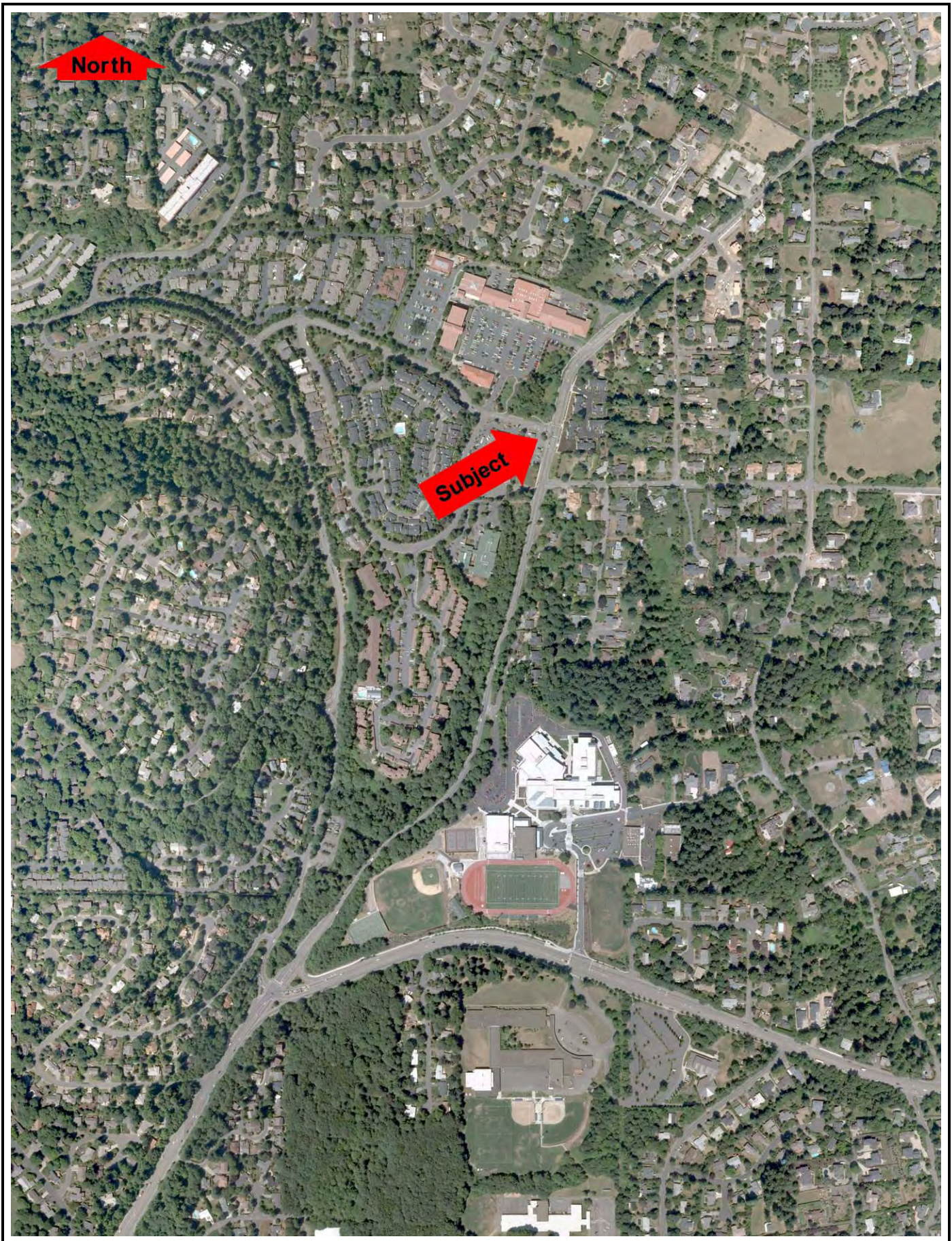
We have included in this sample report the Subject Exhibits and Improved Sales sections since they are the only addendum components that reflect original work. If you have any questions or need further clarification, please contact us. Our contact information can be found on the title page and letter of transmittal in the sample report. Thank you.

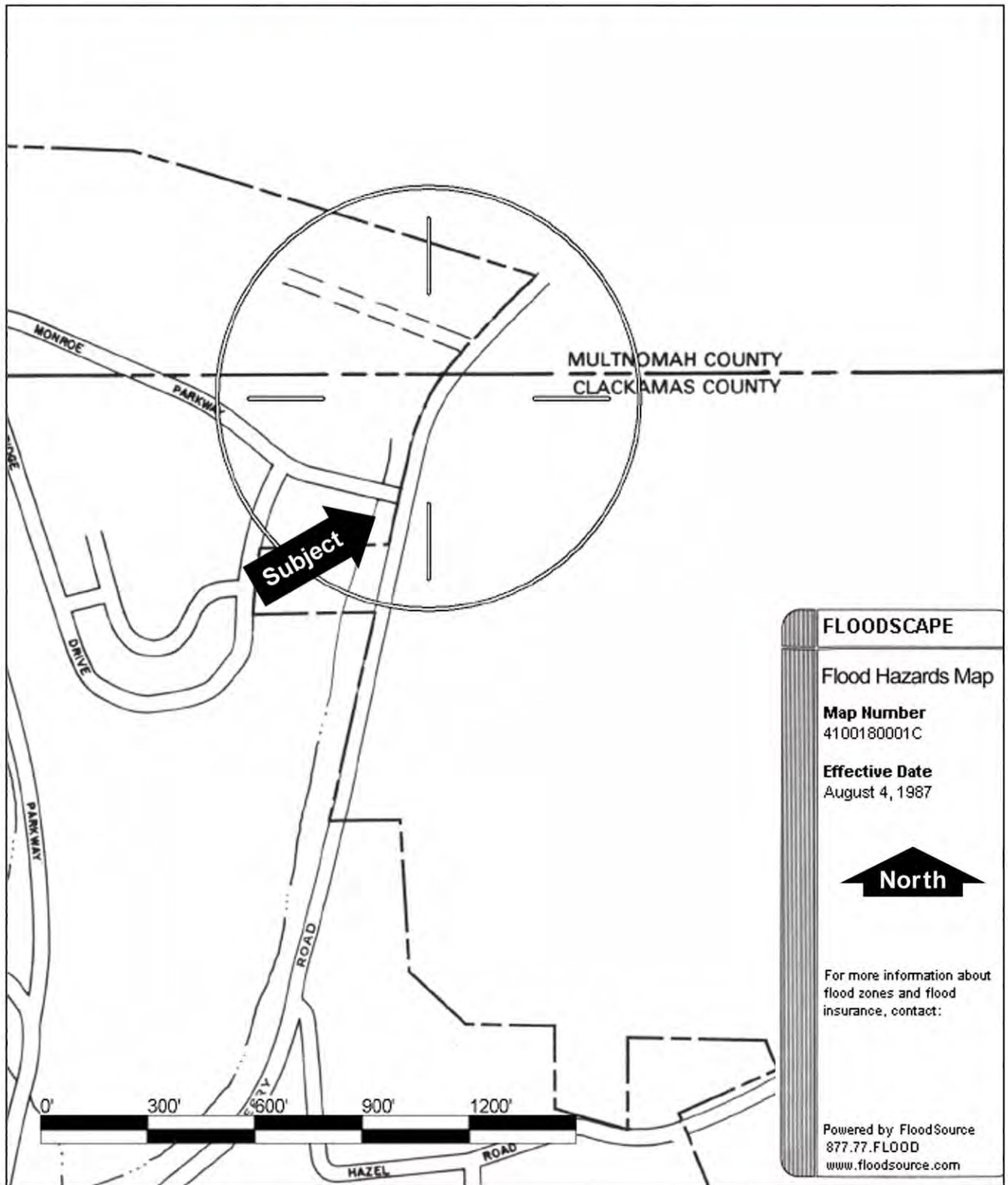
Subject Exhibits

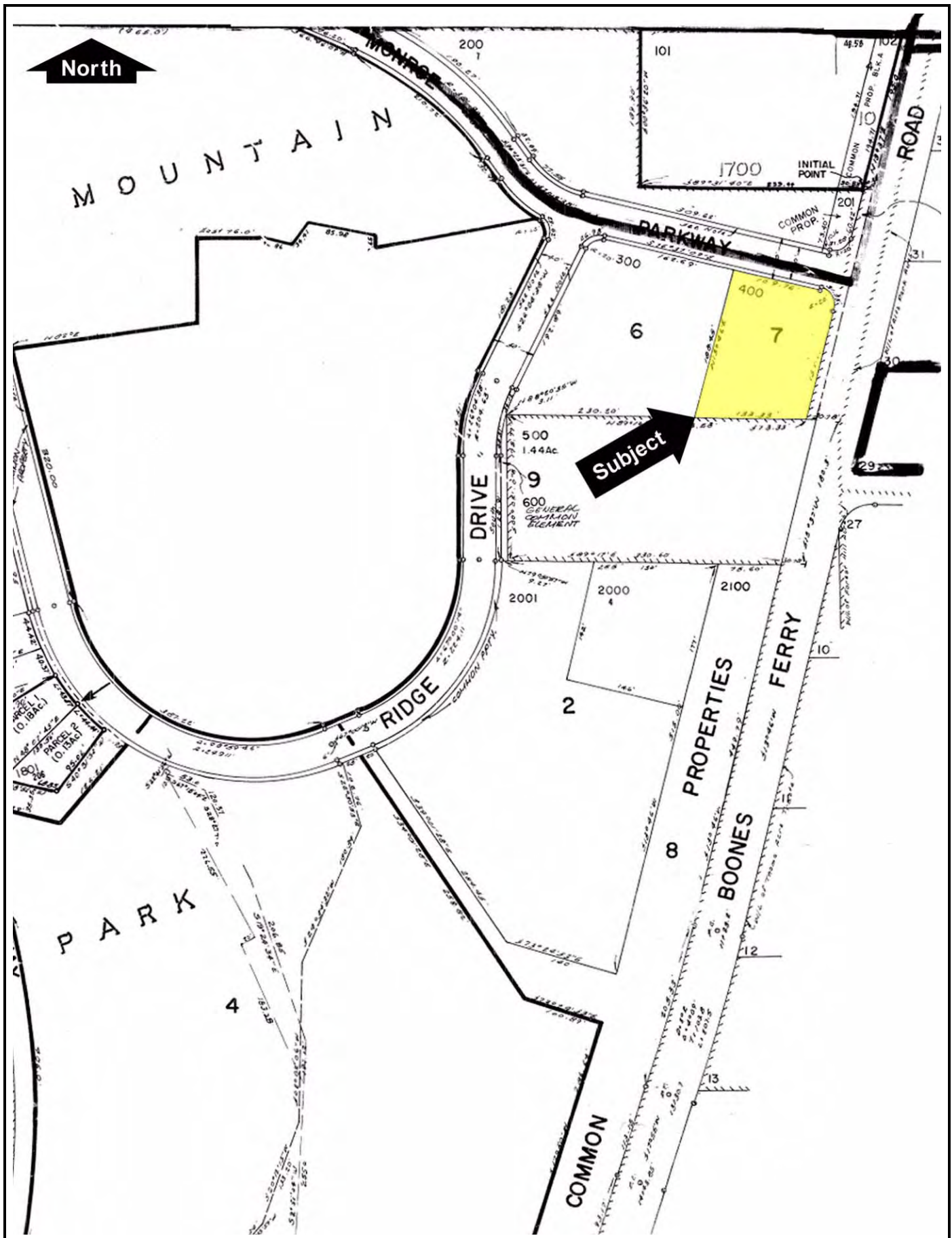


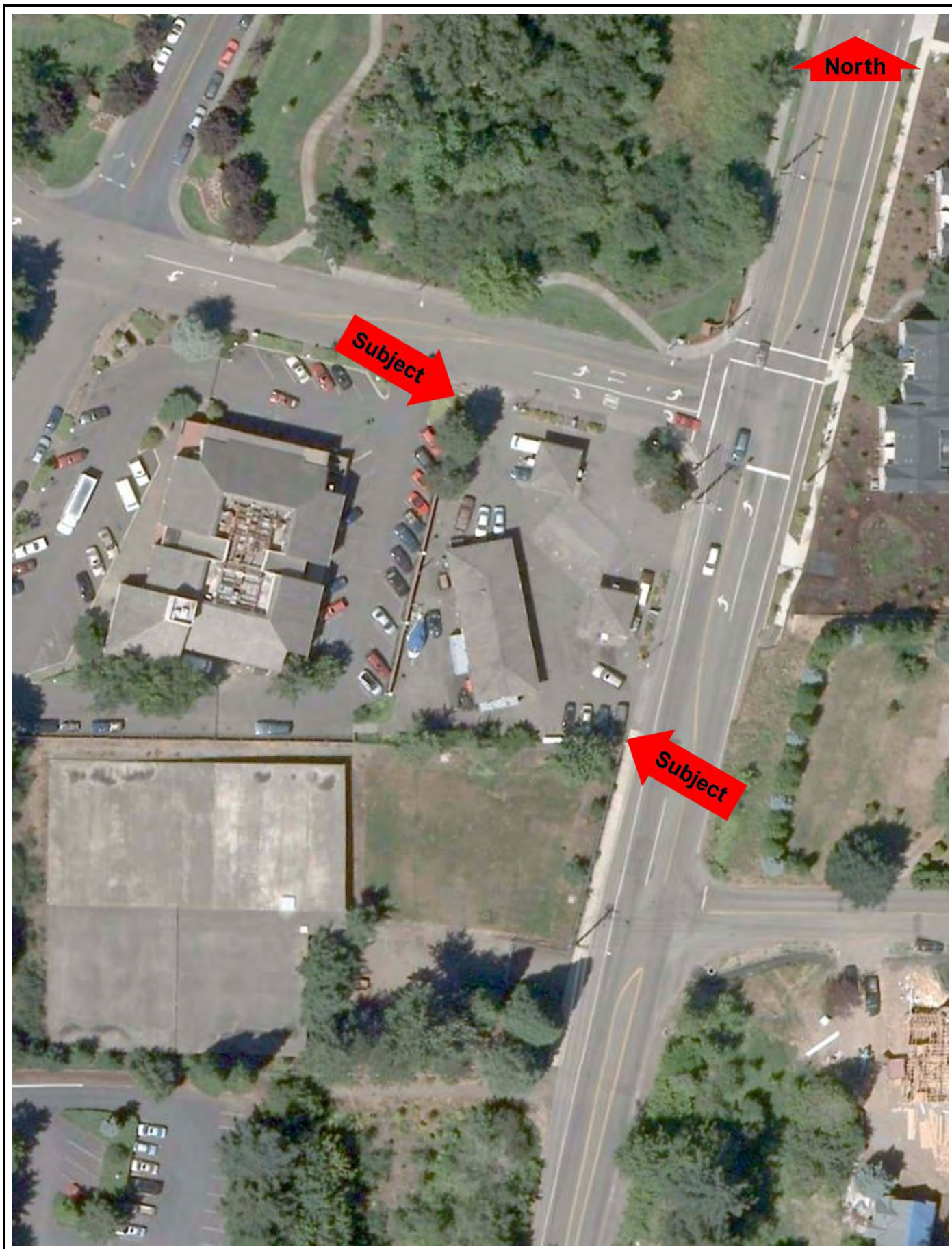












Aerial Photograph of the Subject Site - Plan View

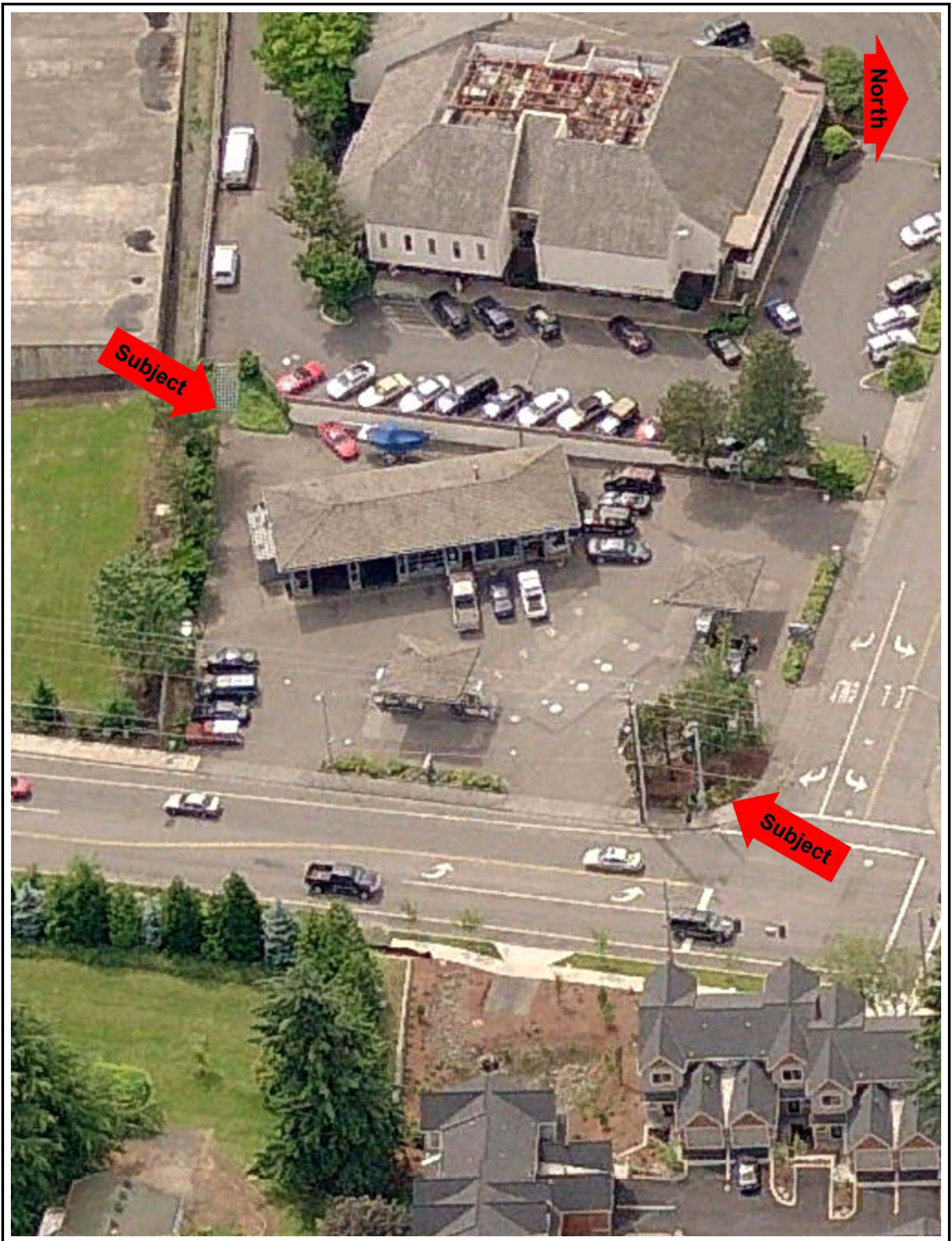




Photo #OR-CLK-0028 - S01

View looking north along Boones Ferry Road.
The east side of the subject is visible on the left.

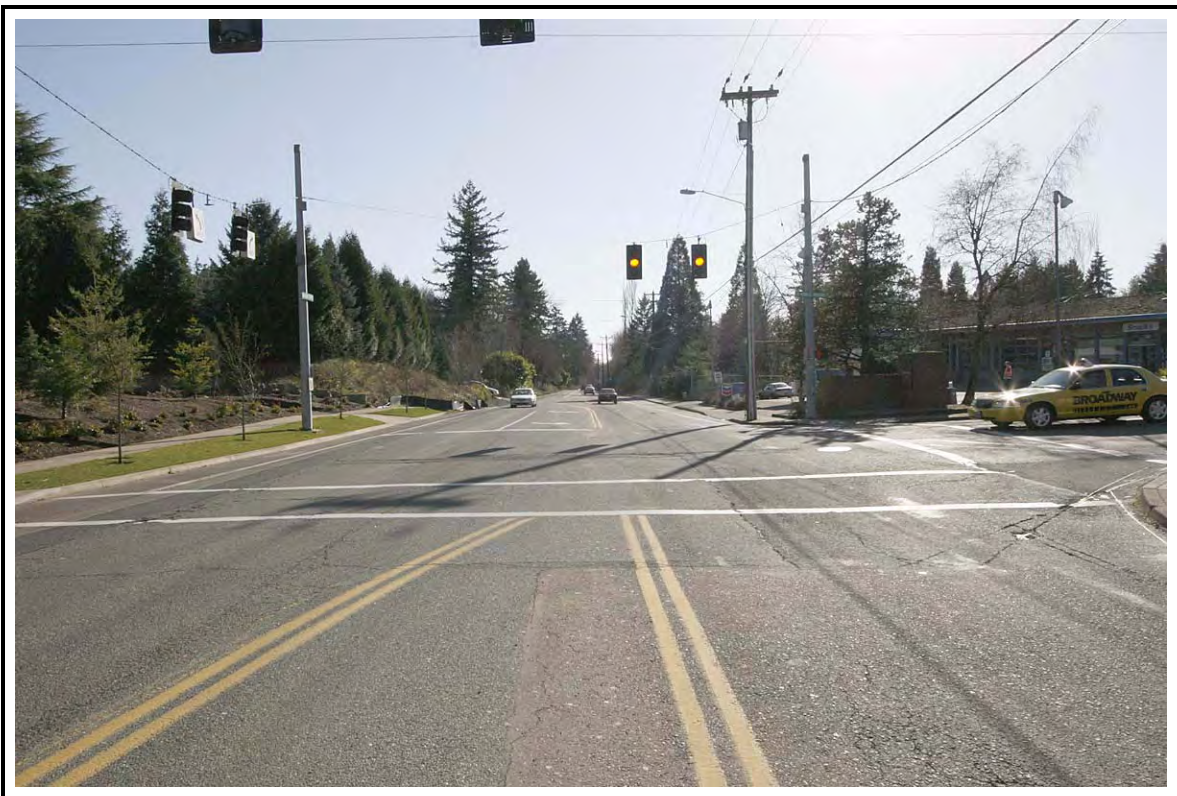


Photo #OR-CLK-0028 - S02

View looking south along Boones Ferry Road. The subject is
visible on the right, on the opposite side of the intersection.



Photo #OR-CLK-0028 - S03

View looking east along Monroe Parkway, towards its terminus at and intersection with Boones Ferry Road. The subject is visible on the immediate right.



Photo #OR-CLK-0028 - S04

View looking west along Monroe Parkway.
The subject is visible on the left.

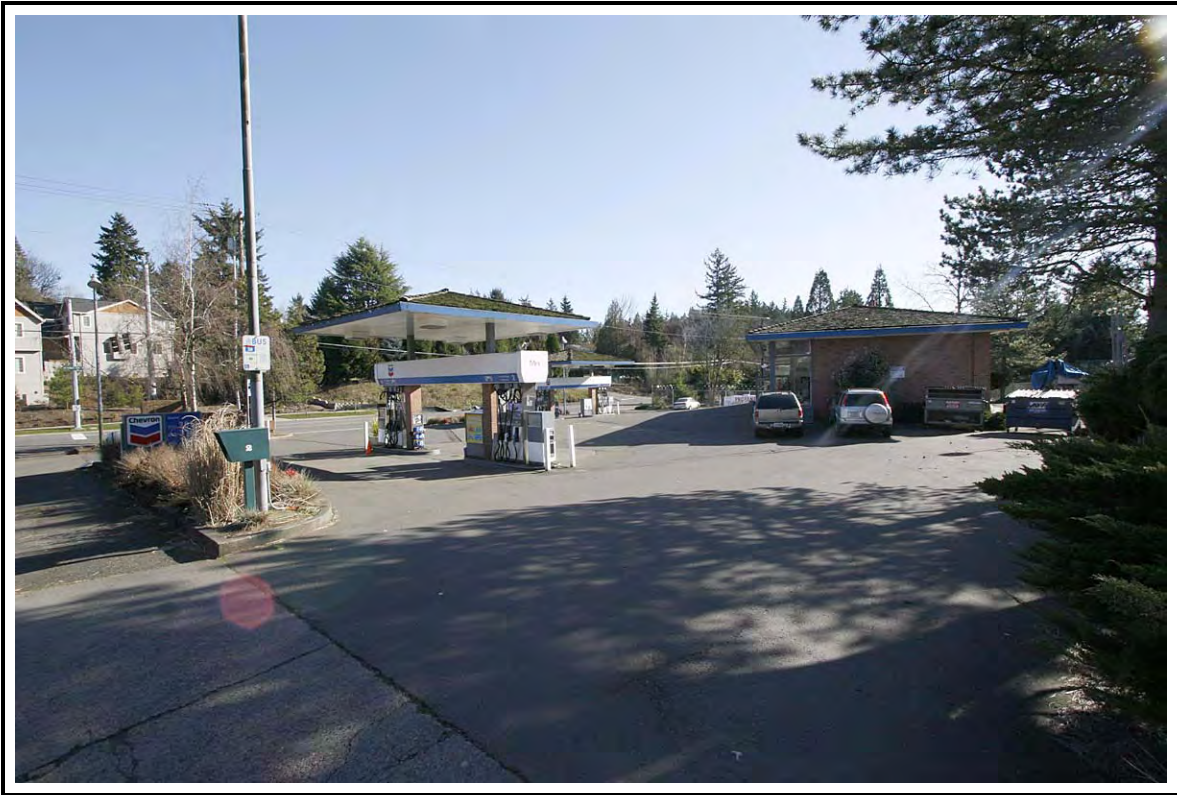


Photo #OR-CLK-0028 - S05

View looking southeast of the subject property from its northwest corner.



Photo #OR-CLK-0028 - S06

View looking northwest of the subject property from its southeast corner.



Photo #OR-CLK-0028 - S07

View looking northwest of the subject's northern set of retail fueling improvements.



Photo #OR-CLK-0028 - S08

View looking northeast of the subject's eastern set of retail fueling improvements.



Photo #OR-CLK-0028 - S09

View looking east of one of the subject's two pumps that dispense three grades of fuel and diesel.



Photo #OR-CLK-0028 - S10

View looking north of one of the subject's two pumps that dispense the typical three grades of fuel, but not diesel.



Photo #OR-CLK-0028 - S11

View looking west of the south side of the garage building.



Photo #OR-CLK-0028 - S12

View looking northwest of the east face of the garage building.



Photo #OR-CLK-0028 - S13

View looking southwest of the east face of the garage.



Photo #OR-CLK-0028 - S14

View looking south of the north face of the garage.



Photo #OR-CLK-0028 - S15

View looking south of the area behind the garage, between the building and the retaining wall on the west property line.



Photo #OR-CLK-0028 - S16

View looking northeast of the west face of the garage building.
The metal shed structure is for general-purpose storage.



Photo #OR-CLK-0028 - S17

View looking northwest of the three service bays.

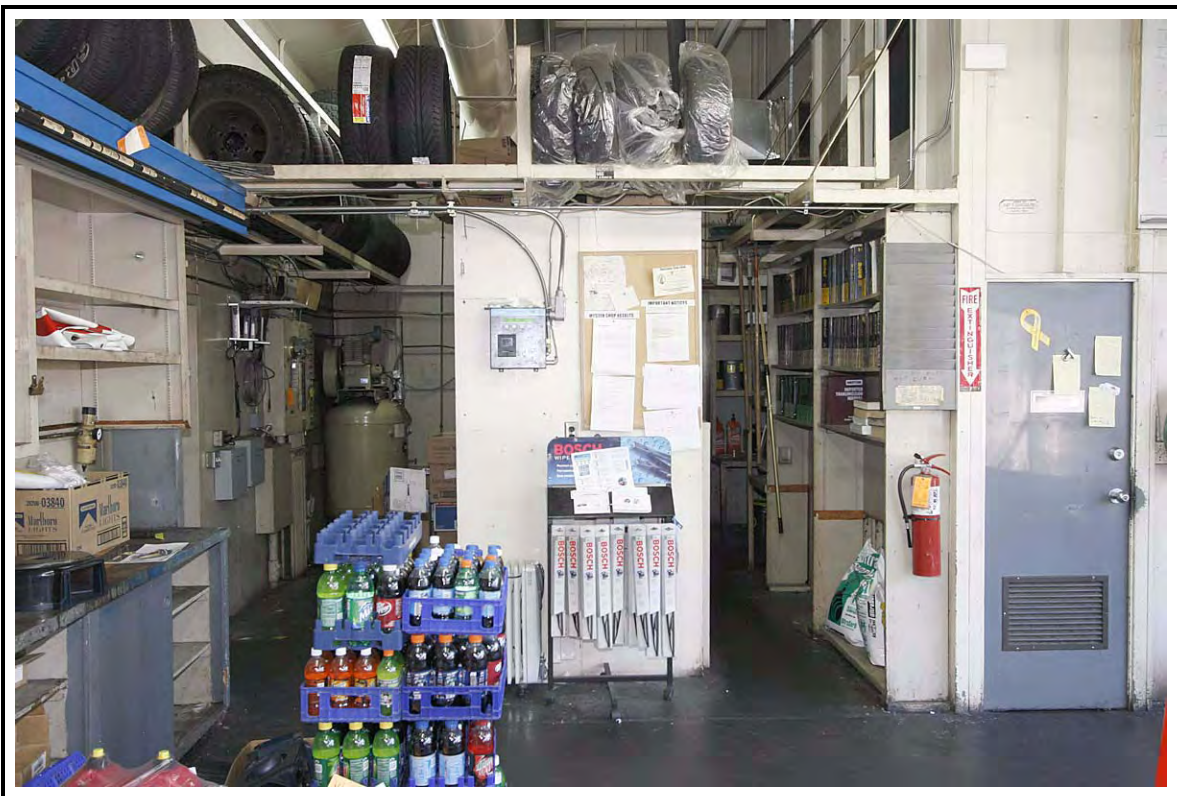


Photo #OR-CLK-0028 - S18

View looking north of the compressor area (on the left) and the mechanic's desk and lunch room (on the right).



Photo #OR-CLK-0028 - S19

View looking north of the compressor room.



Photo #OR-CLK-0028 - S20

View looking northeast of the mechanic's desk and lunch room.



Photo #OR-CLK-0028 - S21

View looking north of the manager's office.
(Note: photo is from 2003)

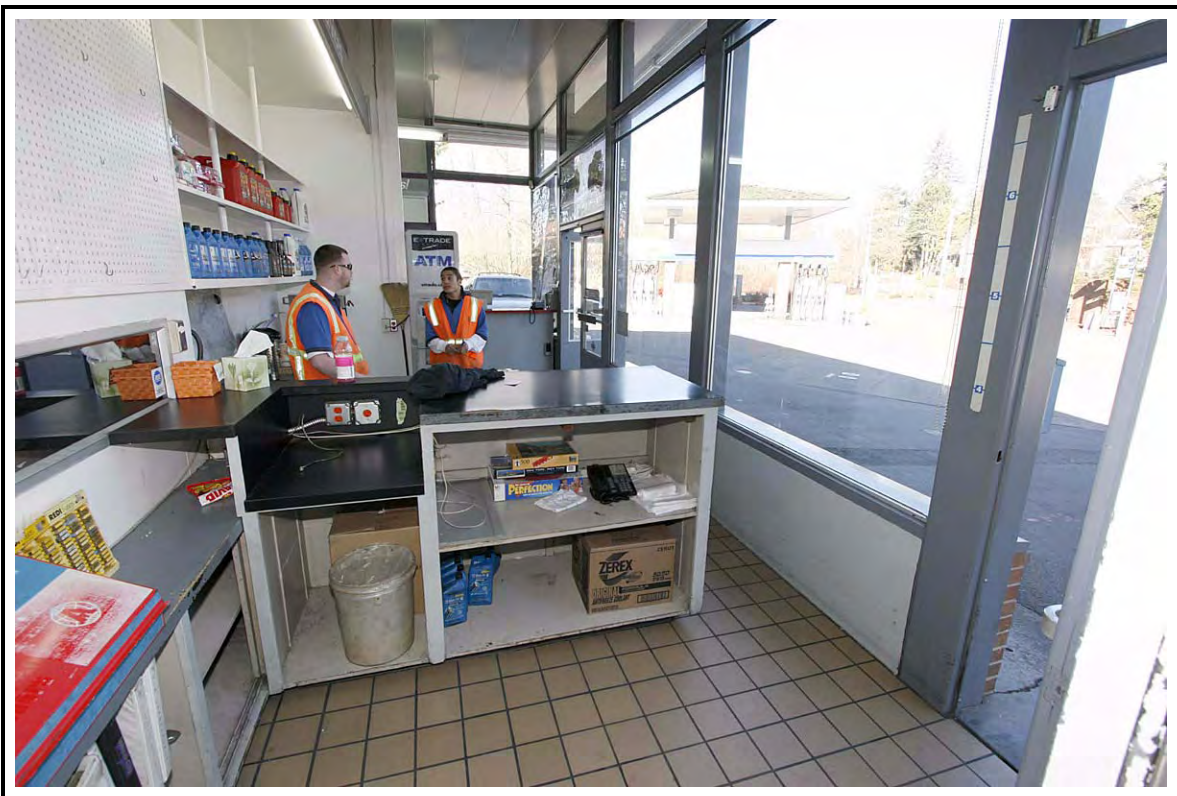


Photo #OR-CLK-0028 - S22

View looking north of the mechanic's cash register area.

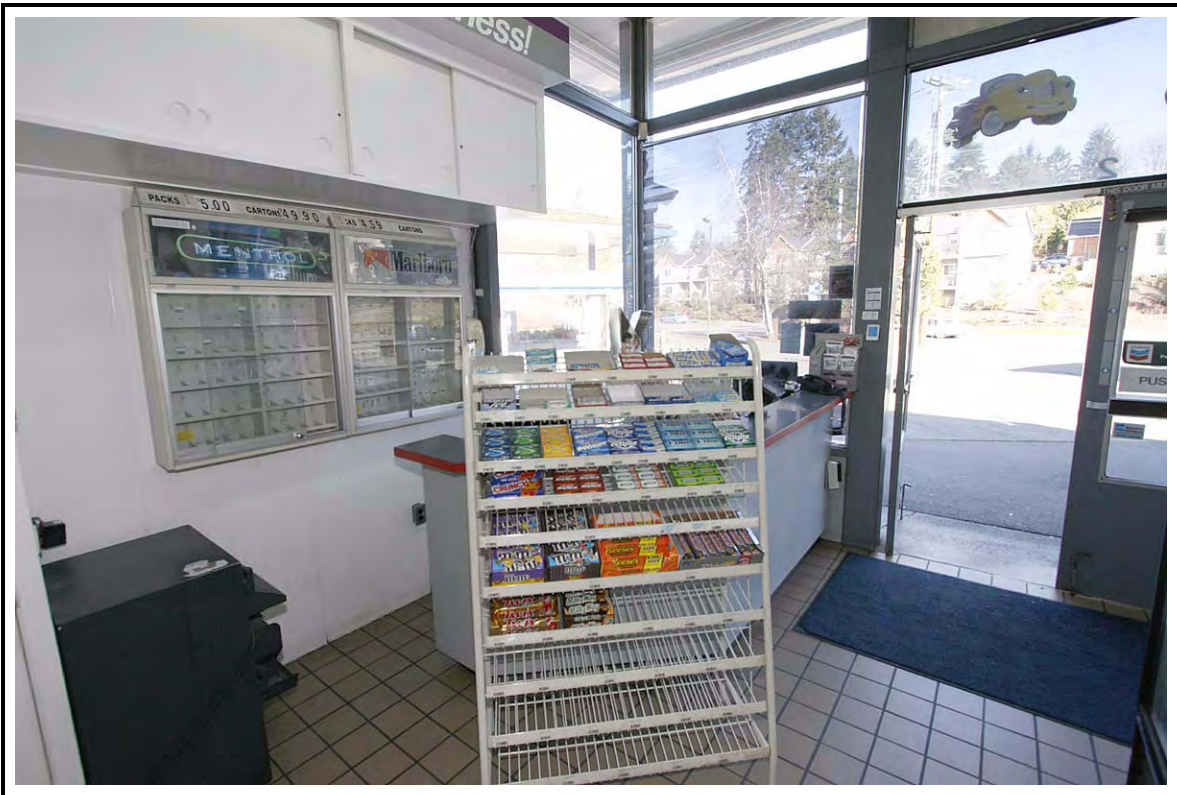


Photo #OR-CLK-0028 - S23

View looking northeast of the main cashier desk
at the northeast corner of the building.

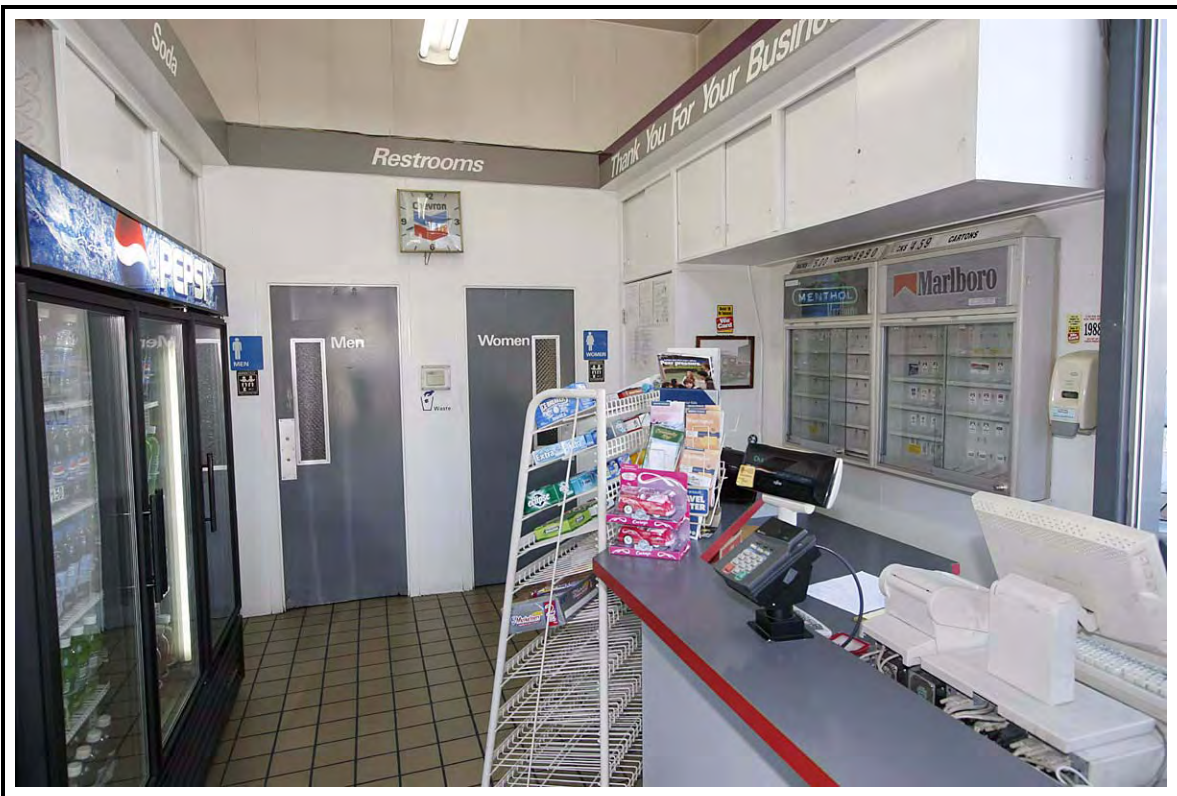


Photo #OR-CLK-0028 - S24

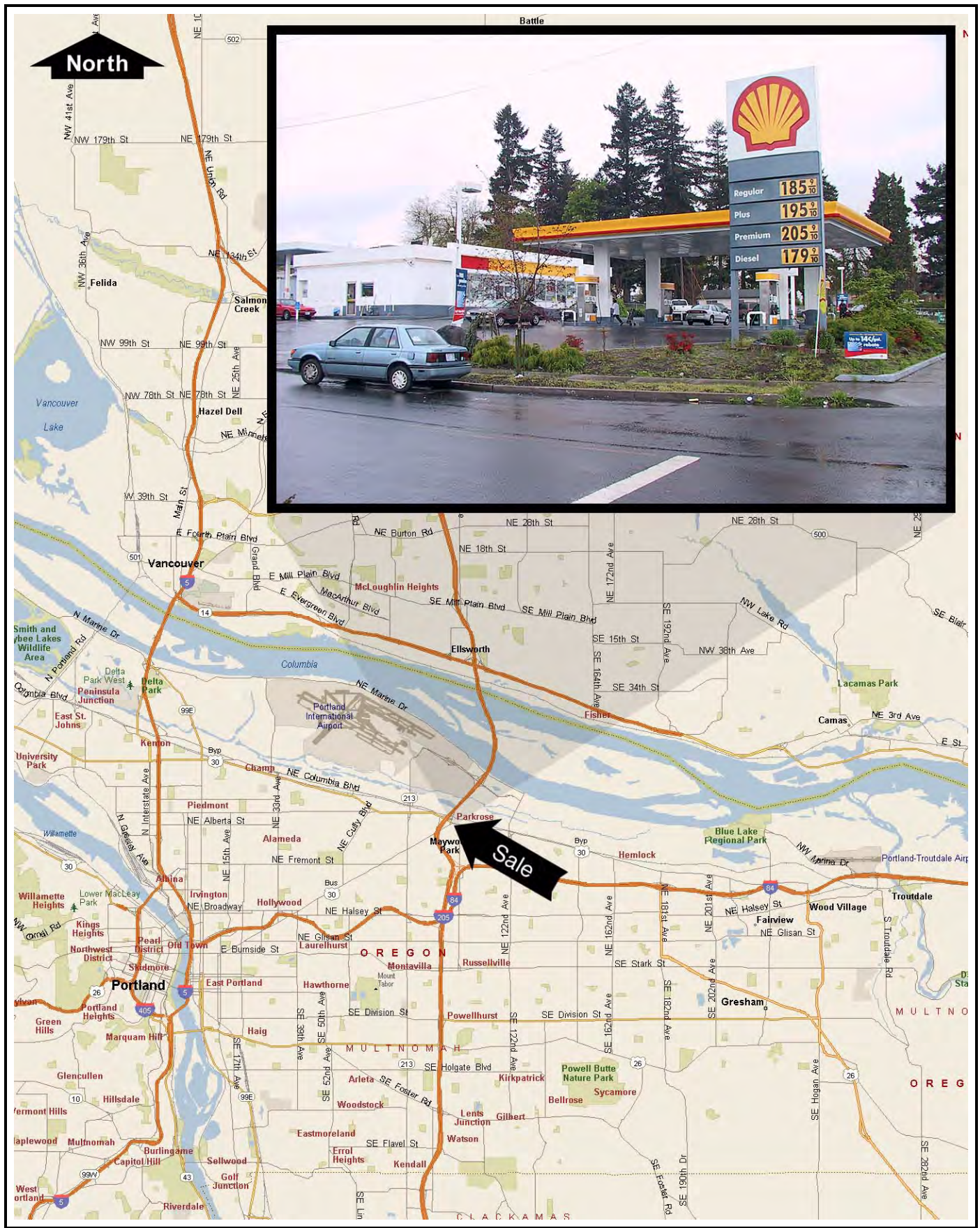
View looking west of the cashier area, cigarette rack, and restrooms.



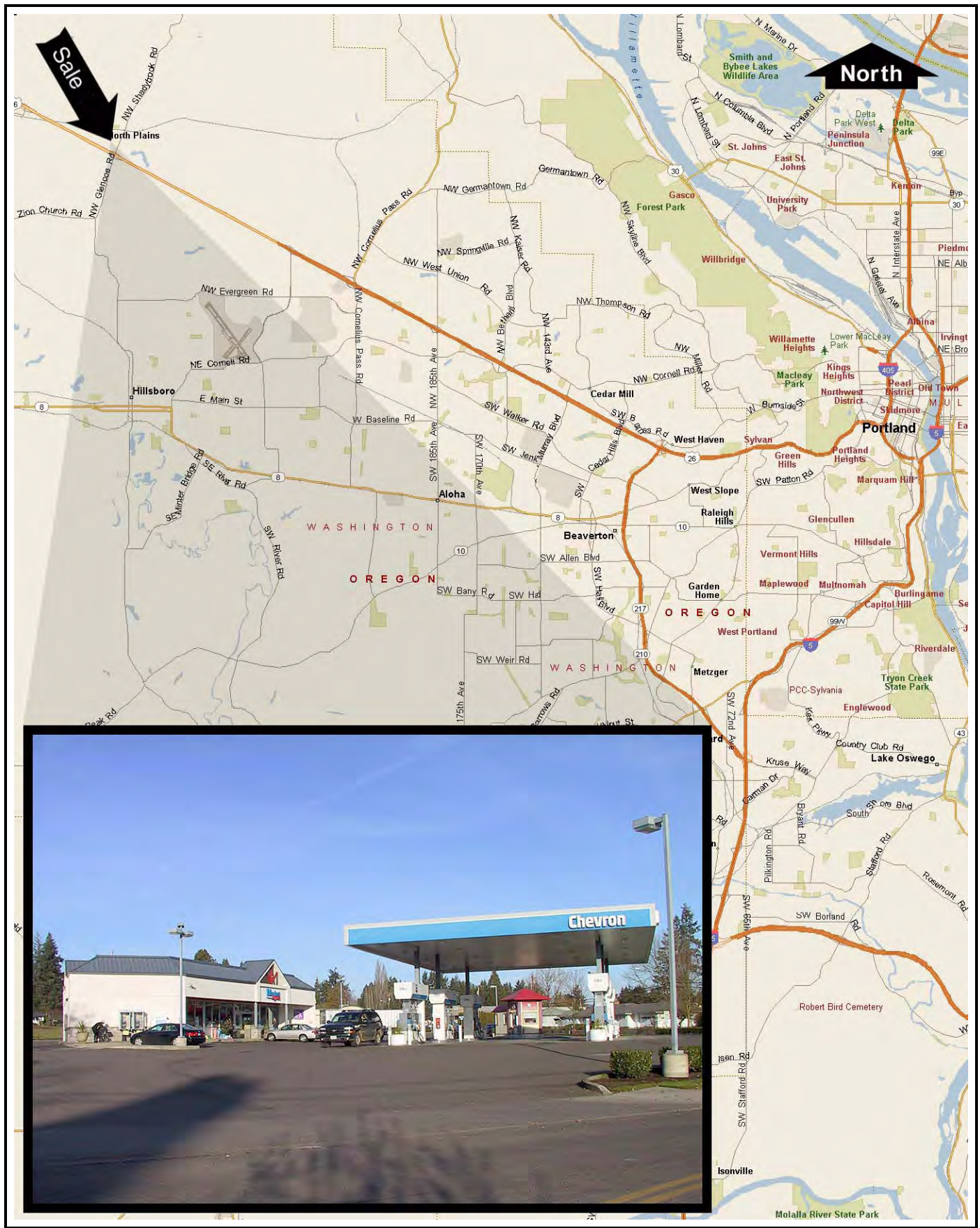
Photo #OR-CLK-0028 - S25

View looking west of the men's restroom,
which is typical of both bathrooms.

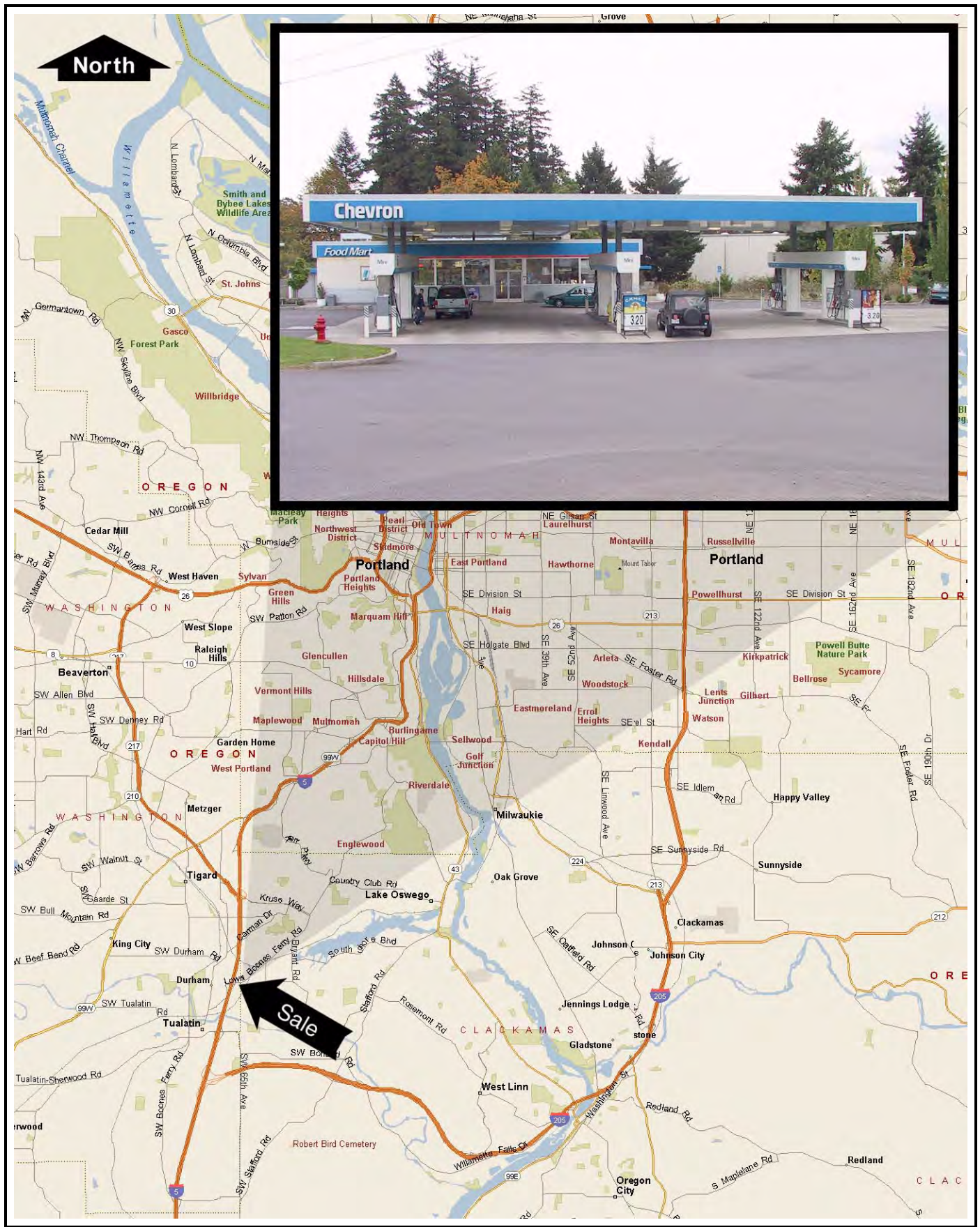
Improved Sales Exhibits



Improved Sale #1: Shell-branded retail gas station, convenience store, and CFN-branded cardlock.
 9920 Sandy Boulevard, Portland, Oregon. Sold: January, 2004.
 Real estate-only, cash-equivalent price = \$2,025,000.

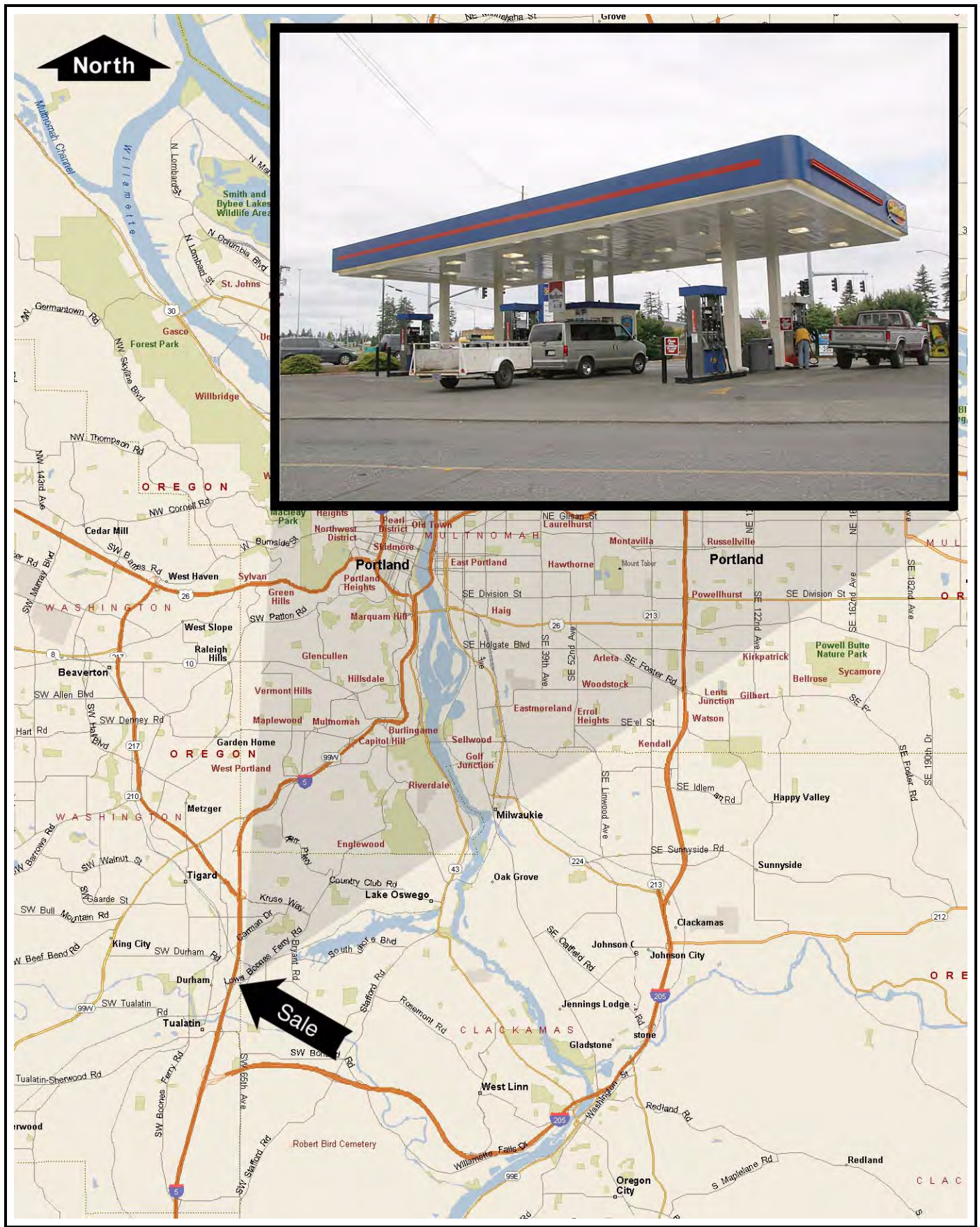


Improved Sale #2: Chevron-branded retail gas station, diesel fueling center, and convenience store.
 10025 NW Glencoe Road, North Plains, Oregon. Sold: January, 2005.
 Real estate-only, cash-equivalent price = \$3,685,000.



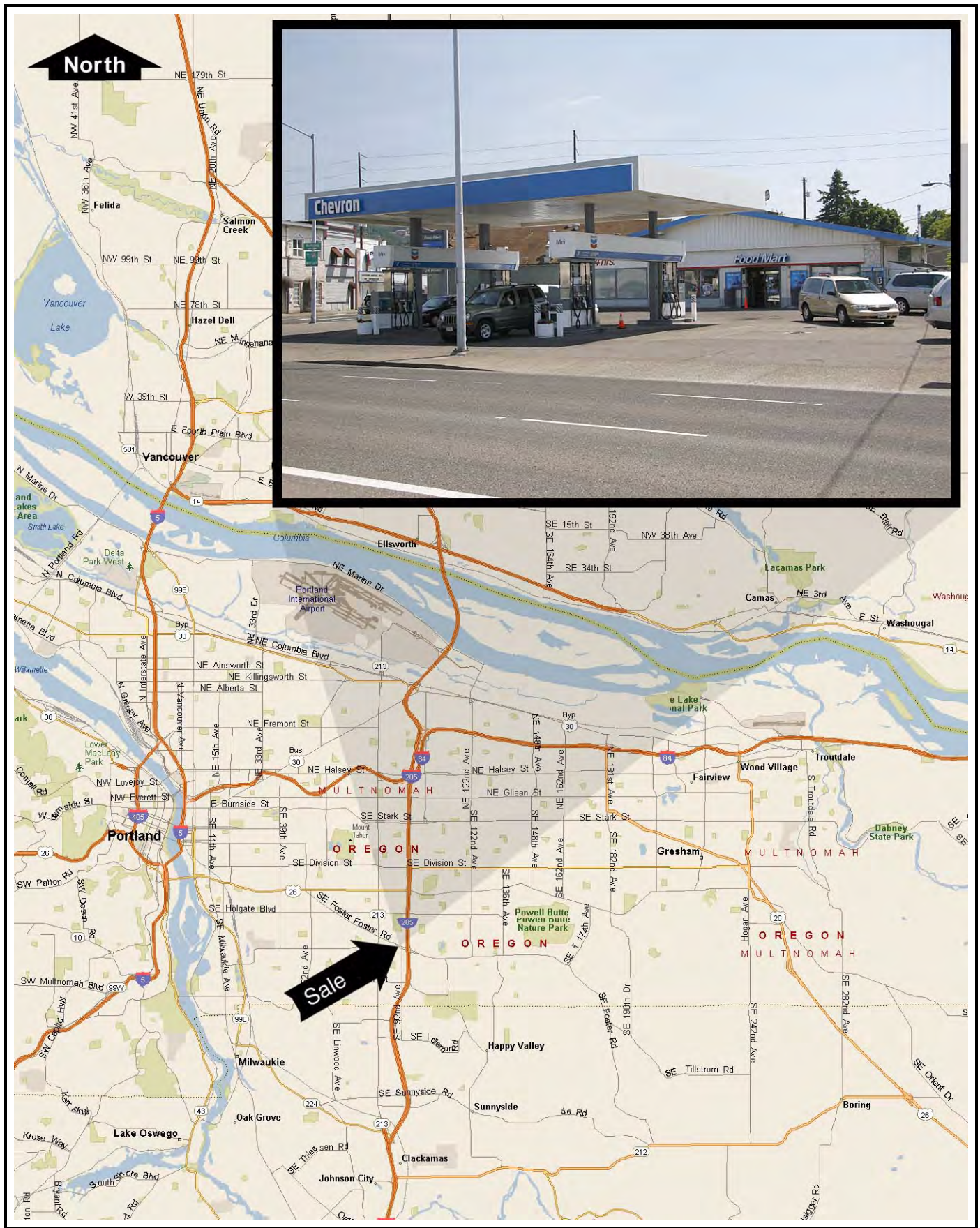
Improved Sale #3:

Chevron-branded retail gas station and convenience store.
 17830 SW Boones Ferry Road, Lake Oswego, Oregon. Sold: January, 2005.
 Real estate-only, cash-equivalent price = \$1,525,000.



Improved Sale #4:

Space Age-branded retail gas station.
 17895 SW McEwan Road, Lake Oswego, Oregon. Sold: January, 2006.
 Real estate-only, cash-equivalent price = \$1,335,000.



Improved Sale #5:

Chevron-branded retail gas station and convenience store.
 9138 SE Foster Road, Portland, Oregon. Sold: January, 2007.
 Real estate-only, cash-equivalent price = \$1,880,000.