TAPANEN GROUP, INC.

Appraisal Services & Valuation Consulting

APPRAISAL REPORT

Earth Advantage™ National Center

PGE – Earth Advantage Non-Profit
16280 SW Upper Boones Ferry Road
Portland, Oregon 97224

Market Value

As Of: February 2, 2005

PREPARED FOR
Portland General Electric

www.tapanengroup.com File: 250007

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Addenda

TAPANEN GROUP INC
Appraisal Services & Valuation Consulting

February 23, 2005

Portland General Electric
Attn: Dorothy Sosnowski, Business Development
121 SW Salmon Street
1WTC0704
Portland, Oregon 97204

Dear Mrs. Sosnowski:

At your request we have prepared an appraisal of the tangible assets to include personal property and tenant improvements located at the PGE Earth Advantage National Center at 16280 SW Upper Boones Ferry Road in Portland, Oregon. The subject property includes the furniture and fixtures, office equipment, and tenant improvements associated with the non-profit center. The purpose of this appraisal is to estimate the Market Value, as is, for the subject assets, as of February 2, 2005:

This document has been generated as a Summary Appraisal Report under the guidelines of the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice (USPAP)*.

Please refer to the Assumptions and Limiting Conditions section of the attached report for a further explanation of the basis on which our value conclusions are predicated. The signatory of this report is qualified by experience and education to competently appraise the subject property. It is our opinion the subject's as is, Market Value, as of February 2, 2005, for the tangible assets was (rounded):

TWO HUNDRED FIFTY-NINE THOUSAND DOLLARS

$259,000

The basis for these value conclusions will be explained in detail in the contents of the attached appraisal report.

Sincerely,

TAPANEN GROUP, INC.

Larry J. Tapanen, ASA
Oregon License, C000199

5520 SW Macadam Avenue, Suite 275, Portland, OR 97239-3743
Telephone (503) 220-0878 ♦ Toll Free Telephone (877) 578-0879 ♦ Fax (503) 748-2072
www.tapanengroup.com

Scope of Engagement

In accordance with your authorization, we have performed an appraisal of selected identified items owned by Portland General Electric (PGE) and located at the Earth Advantage National Center, 16280 SW Boones Ferry Road, Portland, Oregon. We have made this investigation to express our opinion of the Market Value of the designated assets, as of February 2, 2005. We hereby submit our findings in this report. The purpose of this appraisal is to provide a value estimate for a non-profit contribution. PGE, is our client for this engagement. This appraisal will be used to determine current market value related to the non-profit gifting of the Earth Advantage National Center designated assets. Intended users will be our client, PGE (donor), recipient of donation, and other readers of interest to either of these parties.

Market Value is defined as:

Market value is defined by The Appraisal Foundation (USPAP 2005) as:

A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

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 United States 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 grated by anyone associated with the sale [1]

The information contained within this report is based on additional research, investigation, and analysis retained in our work paper files. Readers of this report should note that this document fully complies with the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice (USPAP).* Furthermore, as promulgated by the Appraisal Standards Board's revised guidelines for preparing this assignment, this document has been generated in the form of a Summary Appraisal Report.

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1 *Uniform Standards of Professional Appraisal Practice*, 2005 edition, page 3.

Assets Appraised

The assets appraised for this engagement include tangible assets utilized in the Earth Advantage National Center to include personal property and tenant improvements. A complete description provided for this assignment is enclosed within this report.

Excluded from consideration were any items not identified as part of the non-profit donation by PGE personnel.

We are familiar with similar operations included in this valuation. We conducted a physical inspection of the items identified as part of this engagement by PGE personnel. We relied on listings provided by PGE and observed conditions of the assets. The value opinions expressed herein are based upon our knowledge of and experience in the valuation of similar facilities, certain client-supplied information, and other available market data. A detailed discussion relating to the specific valuation methodologies employed are provided within the body of this report.

Sources of Information

During the course of this engagement, Tapanen Group, Inc. representatives conducted research utilizing numerous resources. The following is a partial list of reference sources used to develop the Market Value.

- Energy Conservatory (Judy) (612) 827-1117
- Herman Miller CD Parts Database
- Marshall Valuation Service
- Office Depot Catalog
- PGE supplied invoices and Pac Trust building lighting schedule
- Quill Office Catalog
- Tapanen Group, Inc. Databases
- Xerox (Berry) (503) 316-8329
- www.amazon.com
- www.avsuperstore.com
- www.bhphotovideo.com
- www.circuitcity.com
- www.crutchfield.com
- www.ecomdepot.com
- www.djsupplyonline.com
- www.infiltec.com
- www.moistureregisterproducts.com
- www.pricegrabber.com
- www.protechprojection.com
- www.shadesofthefuture.com
- www.troxweb.teamtroxell.com
- www.valuetesters.com

Valuation Methodology

In order to determine an appropriate value for the subject asset, we defined the assignment, conducted a site visit, reviewed asset lists and schedules provided by PGE personnel, and gathered, analyzed, and reviewed additional data. We reviewed the description of the assets, then developed notes pertaining to manufacturer's names, character, model and serial numbers, asset ages, and observed physical condition. In addition, we made the extraordinary assumption that the computers containing company hard drives would be replaced with like-type blank hard drives, since it is PGE policy not to release any computers with hard drives utilized by there operations. This methodology meets the standards agreed to with our client.

In appraising the subject asset, the three traditional approaches to value were considered: the Cost Approach, the Sales Comparison Approach, and the Income Approach. We did not perform a Market Approach or Income Approach calculation for this appraisal assignment. As our engagement was limited to specifically identified assets to be used for a non-profit donation, a Market Approach or Income Approach was not considered useful nor relevant to our valuation estimate conclusion. The Cost Approach was utilized to determine the Replacement Cost New for the assets and then depreciated using typical depreciation schedules. These values were further refined based on available market data for similar items, to arrive at an opinion of Market Value.

Reconciliation & Conclusion of Value

In an appraisal study, all three value approaches must be considered, as one or more may be applicable to the subject property. Our determination of value considered, but did not utilize a Market Approach or an investigation of past or prospective earning capacity (Income Approach). As a result, only the Cost Approach has been considered and used for the assets appraised.

Therefore, based upon our investigation, and the premises outlined herein, it is our opinion that, as of February 2, 2005, the **Market Value** of the designated assets is represented in the amount of (rounded) **two hundred fifty-nine thousand dollars ($259,000)**. A detailed asset description is attached.

We have not made an investigation of, and assume no responsibility for the title to, or liabilities against, the assets appraised. We have not considered the costs, if any, associated with contemplated ownership transactions.

Your attention is directed to the attached Certification, and the accompanying Assumptions and Limiting Conditions, both of which are an integral part of this 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, unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this appraisal, and I have no personal interest or bias with respect to the parties involved.

4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of this report.

5. 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 Standards of Professional Practice of the Appraisal Institute.

6. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

7. I have not personally inspected the property that is the subject of this report.

8. Wes Gale, Am inspected the site on February 2, 2005 and provided additional significant professional assistance to the person(s) signing this certification in the report.

9. I do not authorize the out-of-context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without my prior written consent.

10. This appraisal is prepared in conformance with the Uniform Standards of Professional Appraisal Practice ("USPAP") as promulgated by the Appraisal Standards Board of the Appraisal Foundation, except the departure provision does not apply.

11. My employment was not conditioned upon the appraisal producing a specific value or a value within a given range. Future employment is not dependent upon reporting a specified value. Neither employment nor compensation is dependent upon the approval of a loan application.

12. I have acquired through study and practice the necessary knowledge and experience to complete this assignment competently.

Larry J Tapanen

Larry Tapanen, ASA
Chief Executive Officer
Oregon Certified Appraiser #C000199

Assumptions & Limiting Conditions

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. The information furnished by others is believed to be reliable and has been confirmed with public records or a knowledgeable party, when possible. However, no warranty is given for its accuracy.

4. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

5. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interest has been set forth in the report.

6. Possession of this report, or a copy thereof, does not carry with it the right of publication.

7. The appraiser herein, by reason of this appraisal, is not required to give further consultation, deposition, testimony, or attendance in court with reference to the subject property unless arrangements to that effect have previously been made.

8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of Tapanen Group, Inc.

9. Liability of Tapanen Group, Inc., and its employees for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.

10. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the standards and reporting requirements of the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice.

All services provided by Tapanen Group, Inc. are performed in accordance with the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice*. We have acted as an independent contractor and have no personal interest; either present or contemplated, in the subject property. We certify that no fee received, or to be received, or the employment of our services is in any way contingent upon the opinion reported. All files, work papers, or documents developed during the course of the assignment shall be our property. We will retain these data for at least six years.

Asset List

Line No.	Tag No.	QTY / Units	Description	Market Value	CD Photo #
1			**Personal Property**		
2					
3			**Reception / Lobby Display Area**		
4		1	Desk, Receptionist Station, 30" x 120", Black Painted Steel Cantilever and Recycled Wood Veneer Particle Board Top	2,790	12,15,16
5		1	Table, Dark Wood, 30" Round Top	160	10
6		2	Chair, Custom Lounge Type, Patterned Fabric, Fully Padded, Flush Wall	590	21
7		1	Table, Chrome and Glass, 24" Dia x 16" Height	140	21
8		20	Easels, Black Anodized Aluminum, Standard	920	23
9		1	Display Cabinet, 3/4" Particle Board with Simulated Green Marble Veneer Coating, 48" x 72" x 34" Height, Interior Shelf	1,340	22
10		1	Lot of Glasses, Coffee Mugs, Plates, and Utensils	720	24
11		3	Brandrud Round Ottoman, Lime, Plum, & Plum 30" dia	1,170	13
12		1	Table, 24" x 48", Veneer Top	190	
13		2	Fire Extinguishers, 5 LB	70	
14		1	Tool box with tools for events work	100	
15		1	Clean Kit with supplies for event work	100	
16		3	Ice Chests/coolers	30	
17		6	Plastic Folding Tables	300	
18		1	Folding Chairs	5	
19		30	EA Brochure Stands	60	
20		21	Feature Sheet Stands	42	
21		2	Tupperware Storage Bins	20	
22		1	Tall single post coat rack	20	
23		1	Coat rack (metal frame, on wheels)	40	
24					
25			**Rhododendron Auditorium**		
26		24	Table, 30" x 72", Black Painted Steel and Simulated Green Marble Veneer Particle Board Top	6,820	6
27		80	Chair, Conference Style, Black Painted Steel Frame and Green Pattern Fabric Seat and Back Cover	12,960	6
28		1	Credenza, 96" Wide x 30" Depth x 34" Height, Particle Board, Black Veneer Top, (4) Storage Doors	3,490	1
29		1	Audio Visual System Remote Controller, Panja Model OTE-4813, S/N 116114036	240	1
30		1	Audio Visual System Remote Controller, Panja Model OTE-4813, S/N 166128295	240	1
31		2	Hands Free Microphone, Nadu/Encore, Model WTL-15	130	1
32		1	Wireless Mouse, Interlink Model VP4810, S/N 13173	40	1
33		1	VCR, JVC Model HR-S39OOU, S/N 116J2392	50	1
34		1	DVD Player, Sanyo	100	1
35		1	Receiver, Denon	100	1
36		1	Amplifier, TOA	160	1
37		1	Microphone, MKII, Podium Mounted	80	2
38		1	Overhead Projector, 3M, Standard	130	2
39		1	Laser Pointer, Interlink Model VP4810, S/N CT050207417	40	1
40		1	LCD Projector, Epson, Ceiling Mounted	1,380	3
41		1	Podium, 3/4" Recycled Particle Board	880	2
42		1	Laptop, Compaq Model EVO J07M040.00, S/N X08-73013	420	14
43		1	Flipchart, Black Painted Frame, Standard	160	8
44		1	Whiteboard, 36" x 60", Framed	130	
45		1	Projection Screen, Da-Lite, (est.) 60" x 80", Ceiling Recessed Mounted, Remote Controlled	1,430	4
46		1	Extension Cord	0	1
47		1	Speaker, JBL	140	

Line No.	Tag No.	QTY / Units	Description	Market Value	CD Photo #
48					
49			**Camas Room**		
50		1	Table, Conference, Neutral Light, 54" x 96"	850	19
51		1	Storage Unit 2 Door, Wood Veneer	370	20
52		1	Conference Room Wood Cabinet, 4' x 4', Dry Erase Board, Overhead Screen, and Fabric Bulletin Board	470	19
53					
54			**Computer / Office Support Equipment**		
55		8	2001 Desktop Computer, Compaq, Model EN866, 866 MHz, 128 MB RAM, Keyboard, with Hardrive	400	14-18
56		1	2001 Desktop Computer, Compaq, Model DeskPro, Keyboard, with Hardrive	50	33
57		1	2004 Desktop Computer, Compaq, Model EVO D530, 2.8 GHz, 512 MB RAM CD ROM Drive, Easy Access Keyboard, with Hardrive	500	14-18
58		2	2004 Laptop Computer, Compaq, Model NC6000, 1.6 GHz, 512 MB RAM, Carbon Keyboard, Port Replicator, Monitor Stand, Logitech Optical Mouse, with Hardrive (PGE Asset Tags: K1422 & K1408)	2,440	41
59		1	2004 Pocket PC, Dell, Model PocketPC Axim	180	
60		2	2000 Monitor, Compaq, Model V70, V75	40	14-18
61		8	2001 Monitor, Compaq, Model P710	290	14-18
62		1	2001 Monitor, Compaq, Model P1210	40	14-18
63		1	2001 Printer, Xerox, Model Docuprint N2125	350	13
64		1	2000 Fax, Lanier, Model 1210 MFD	100	13
65					
66			**Commercial Testing Equipment**		
67		2	Blower Doors with Manometers: Ser. # 4094 & 9600, Located In Portland and Bend, Oregon	3,690	Equipment 1
68		2	Duct Blasters with Manometers: Ser. # 2126 & 1398, Located In Portland and Bend, Oregon	2,740	
69		2	Exhaust Flow Meters: No Numbers Associated with Them, Located In Portland and Bend, Oregon	190	Equipment 2
70		1	Flow Hood Exhaust and Intake: Ser. #148, Located In Portland, Oregon	330	Equipment 3
71		2	Moisture Meters: Ser. # 25813 & DC 2000, Located In Portland and Bend, Oregon	130	Equipment 4
72		3	Fogging Machines, Located In Portland and Bend, Oregon	220	Equipment 5
73		1	Digital Thermo/Hygrometer: Ser. # 8923186, Located In Portland, Oregon	50	Equipment 4
74		3	Light Sensors for Electronic Ballast Detection: No Numbers Associated with Them, Located In Portland and Bend, Oregon	260	Equipment 4
75					
76			**Tennant Improvements**		
77					
78			**Lab/Booths/Retail/Mock-Up/High Bay**		
79		8	Motorized Window Coverings, Window Area, est. 4' x 8' each (Rhodedendren Auditorium)	11,070	5
80		144	Sq. Ft. House Simulation Structure with solar demo panels	9,170	25,26,27,28
81		2,424	Sq. Ft. Display Area False Ceiling	18,580	29,30
82		250	L.F. Wall Addition, Standard Construction, Drywall	8,630	36
83		2,400	Sq. Ft. Floor Coverings, Recycled Composite Materials Including Carpeting, Concrete and Plastics	12,440	11,12
84					
85			**Electrical Control Room (Dimming Controllers)**		

Line No.	Tag No.	QTY / Units	Description	Market Value	CD Photo #
86		1	Lot Electrical Dimming Controllers, Cascade Lighting	28,000	31,32
87					
88			**Electrical Improvements/Lighting Fixtures**		
89	A1	19	Kurt Verson Recessed Down Light, Part No. C7302, 120 PAR CAP FL 130V	970	
90	A2	9	Halo Portfolio Recessed Wall Wash, Part No. HA3MR/3471 CLEAR ALZAK TRIM, 50 WATT MR16	620	
91	A9	2	LV Accent Recessed, 35 RLI-SAC, Indy	250	
92	A10	1	Track, L2791, Halo	110	
93	A12	1	Track Framing Projector, L2756, Halo	110	
94	A14	1	Deco. down light, Optos 6", Zumtobel	90	
95	A15	1	4" LV down light, 4" BLK Verti groove, Regianni	90	
96	A16	1	4" down light, BLK 5" Alzak, Lightolier	90	
97	A17	2	4" LV Deco. down light, 4" Deco. Elen, Capri	190	
98	A18	2	4" LV down light, Metal Sq. 4", CSL	190	
99	A19	1	4" down light, 4" deco. Frst. gold, Capri	90	
100	A20	1	4" down light, 4" gold alzak, Contech	90	
101	A22	1	4" down light	90	
102	A23	1	5" down light, A7053, Lightolier	90	
103	A25	1	LV Accent Recessed, Halo	160	
104	A26	12	Light Projects Cable Lighting, 50 MR 16	1,530	
105	F27-3	1	Wall sconce samples, 651-A-CF, Shaper	210	
106	F27-4	1	Wall sconce samples. 21914-FCS, American Glass Light	210	
107	F27-5	1	Wall sconce samples, 4181, Lightolier	210	
108	F27-6	1	Wall sconce samples, EWSSA, Prescolite	210	
109	F27-7	1	Wall sconce samples, Samples, TBD	210	
110	F27-8	1	Miros Spot/Mirror Fixture, MIROS IP-54, Zumtobel/Staff	110	
111	F27-9	1	Wall sconce samples, Samples, TBD	210	
112	F27-10	1	Wall sconce samples, GWS13SG, Gammalux	210	
113	F27-12	1	Wall sconce samples, Samples, TBD	210	
114	A28	19	Iris Recessed LV Accent, Part No. GE EXN 50 WATT 12V, 50 MR 16	2,100	
115	A31	1	Advanced Fiber Optic Fiber Optic	1,280	
116	A33	1	Kurt Versen 2-Lamp Down Light Rectangle, Part No. T4216-DCT 120, 50 MR 16	140	
117	A42	1	Low voltage undercounter, RO51-85, Eurofase	130	
118	F1	19	Kurt Versen Recessed Down Light. Part No. P927-120V, O/S 42 WATT CFL 4100K	1,780	
119	F2	15	Lithonia Recessed 2x2 Parabolic, Part No 2PM3NGB2U319LD 120MOT10C, Flourescent	850	
120	F3	9	Zumtobel Staff Recessed 2x2 D/I, Part No. RCF1222405PW1DIM / ECO 10, 2 40WT5TT	1,300	
121	F3a	6	Zumtobel Staff Recessed 2x2 D/I, Part No. SC1222405CW1 DIM / FCO 10, 2 40WT5TT	1,010	
122	F4	12	Lithonia Recessed 2x2 Troffer, Part No. 2SP8G2U316 A12125 120MOT10C, O/S FO17/841	2,020	
123	F5	6	Focal Point Direct/Indirect Linear Pendant (12' Sections), Part No. FV2 29 B 115HO D 120 HXXX NS WH 12 Lutron FDB-T554-120-2 (120 Volt Dimming Ballast)	3,080	
124	F6	4	Lithonia Recessed Wall Wash, Part No. WWG232120MOT10C IRLD, Flourescent	420	
125	F6	7	Lithonia Recessed Wall Wash. Part No. WWG232120, FO32/841	730	
126	F7/F95	9	Visa Wall Sconce, Part No. CB3102 SAL-2F13, CF13	1,190	
127	F8	2	Ledalite Direct/Indirect Linear Pendant (48" Section), Part No. ERGO, F032/835	770	

Line No.	Tag No.	QTY. / Units	Description	Market Value	CD Photo #
128	F9	3	Peerless Direct/indirect Linear Pendant (48" Sections), Part No. ENM4 2 54T5HO LUTRON FDB-T554-120-2 (120 v DIMMING BALLAST)(2-12' AND 2-8') 3 RUNS OF 40' + Occupancy Sensor	4,350	
129	F10	8	Visa Wall Sconce, Part No. OW 1222 2TF32 SAL PSS, (2) 32 WATT TT	3,210	
130	F30	1	Recessed wash, 1 T8, Columbia	130	
131	F31	1	Surface wash Elliptipar 3-50 watt biax fluorescent	130	
132	F32	1	Decorative round pendant/ down light, 32 watt cfl, Hubbell	110	
133	F34	1	D/I wall mount, 2-32 T8 dim ballast, Prudential	100	
134	F35	1	D/I Decorative round pendant, 6-39 watt biax, G-Lighting	510	
135	F36	1	Recessed wash light, 2-40 watt biax1 T8, Lite Control	100	
136	F37	1	Indirect wall mount, 1-39 watt biax, PAL	90	
137	F39	1	Direct recessed 2X2, 2-39 watt biax, Zumtobel	290	
139	F40	1	Direct recessed 2X2 basket, 2-39 watt biax, Zumtobel	290	
140	F41	1	2X4 para 18 cell, 2-32 watt T8, Columbia	100	
141	F42	1	2X2 para 36 cell, 3-39 watt biax, Zumtobel	130	
142	F43	1	2X2 T5 HO, Brio BR22 3 24GLS, Columbia	130	
143	F45	1	2X2 para 12 cell, 2-31 watt U, Columbia	100	
144	F46	1	2X2 para 12 cell, 2-31 watt U, Lithonia	100	
145	F47	1	2X2 para 9 cell, 2-40 watt biax, Columbia	100	
146	F48	1	1X1 para 6 cell, 2 18 watt cfl, Zumtobel	100	
147	F49	1	1X1 para 6 cell, 1-38 watt 2D, Design Plan	90	
148	F50	1	Down light, 1-32 watt cfl, Halo	90	
149	F51	1	Down Light, 1-32 watt cfl, Delray	90	
150	F53	1	Recessed wall wash, 2-32 watt cfl, Halo	100	
151	F54	1	Down light, 3-26 watt cfl, Kirlin	130	
152	F55	1	Down light, 1-42 watt cfl, Kurt Versen	90	
153	F56	1	Down light, 3-26 watt cfl, Wila	130	
154	F57	3	CFL track light, 1-42 watt cfl	260	
155	F59	1	Deco down light dimmable, 1 32 watt cfl, Prescolite	130	
156	F60	2	Down light, 1-32- watt CFL, Indy	170	
157	F61	2	Down light, 2-26 watt cfl, Lightolier	200	
158	F62	1	Down light, 2-18 watt cfl, Zumtobel	100	
159	F63	1	Cooper/Metalux Architectural Surface Mount, Part No. ARL-254T5-PL1-RPU/RD-UNV, T5HO	140	
160	F64	2	Baffel down light, 2-26 watt cfl, Kurt Versen	340	
161	F65	1	Deco down light,2-26 watt cfl, Staff	170	
162	F66	2	Down light , 2-18 watt cfl, Indy	200	
163	F67	2	Down light, 3-26 watt cfl, Kirlin	260	
164	F68	2	Recessed wall wash, 2-18 watt cfl, Staff	260	
165	F69	1	Recessed wall wash, 2-26 watt cfl, Indy	130	
166	F70	1	Wall Sconce, Artimede 2-18 watt cfl	210	
167	F71	1	Surface decorative, 3-13 cfl, Rejuvination	170	
168	F73	1	Surface decorative, SLB 8001, Prescolite	170	
169	F74	10	Down lights, Compact dimming fluo.	1,280	
170	F75	1	2X2 recessed round, 1-32 watt cfl, Ardee	90	
171	F76	2	Visa vanity fluorescent	430	
172	F77	1	Gammalux CFL Wall Sconce, Part No. GWS13SG, CFL13	170	
173	F78	1	Pendant Liquid tight, TLN 4232OC 120, Williams	430	
174	F80	3	Direct/indirect Linear Pendant (48" Sections), FO32/830	510	
175	F81	1	DAC Decoy Jelly Jar, Part No. D8010-1F32-120-CU-PS, 32 WATT CFI	210	
176	F82	4	Elliptipar Direct/Indirect Linear Pendant (72" Sections), Part No. F146 T236-X-22-1-00-0/V6S22-48-0/V6R22-48-0	1,830	
177	F83	1	Peerless Wall Mount Shelf Unit, Part No. AI2-4-332C-+120 DIMMING BALLAST, FO32/830	340	

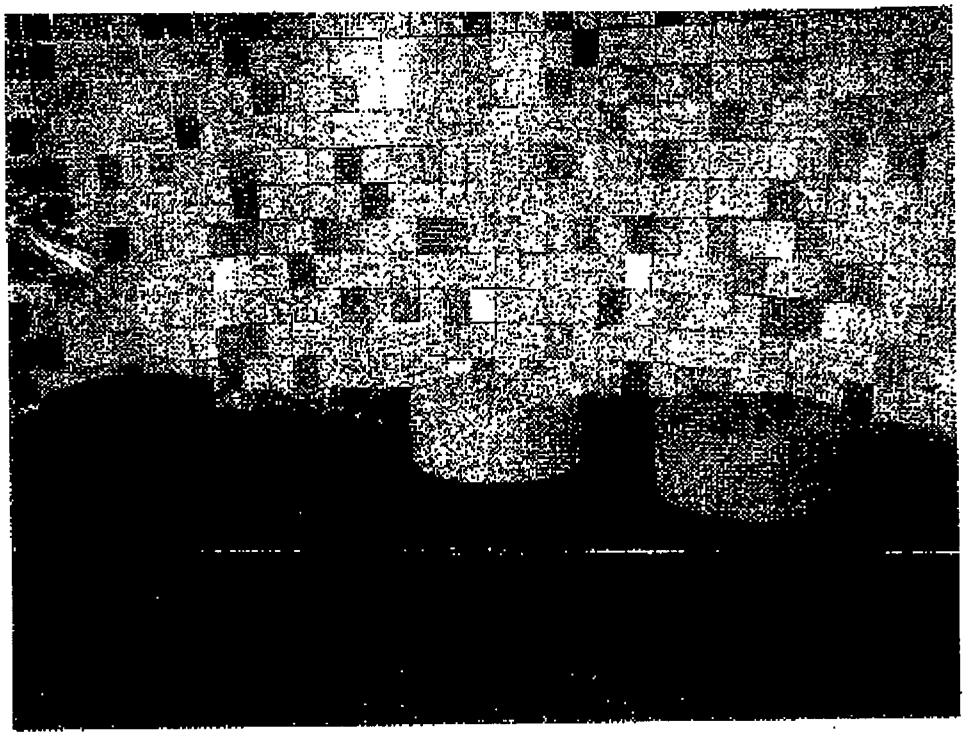
Line No.	Tag No.	QTY / Units	Description	Market Value	CD Photo #
178	F84	3	Direct/Indirect linear pendant (48" sections), Prudential	510	
179	F85	1	Wila Down Light 10", Part No. 20200-33 / L2230KT5 / 86630L27 - SPEAKER GRILL ONLY, WITH FIXTURE	140	
180	F86	1	Wila Down Light 10", Part No. 20201-33 / L4330KT5 / 86631L37 - SMOKE DETECTOR, WITH FIXTURE	130	
181	F87	1	Kurt Versen Down Light Rectangle, Part No. T4142-120V, 42 WATT CFL	110	
182	F88	1	Kurt Versen Down Light Square, Part No. H7823-120V DIM, 32 WATT CFL	230	
183	F89	1	DAC CFL Pendant, Part No. D5171-1F32-120-MG-RD, 32 WATT CFL	410	
184	F90	1	DAC CFL Pendant, Part No. D5190-1F42-120, 42 WATT CFL	300	
185	F91	1	Wall sconce, Devon	210	
186	F92	3	Icon Recessed 2x4 Flouresoent, Part No. SAR48233FB277V, FO32/835	450	
187	F95	2	Wall sconce, CB 3102-2F13-120V MD23840-1 HOUSING SAL BACKGROUND WHT MENS, Visa	430	
188	F 96-1	1	Existing 2X4 troffer, 4-lamp, Unknown Manufacturer	210	
189	F96-2	1	Retrofitted 2X4 troffer, 2-lamp, Unknown Manufacturer	100	
190	F96-3	1	Retrofitted 2X4 troffer, 2-lamp, Unknown Manufacturer	100	
191	F96-4	1	Retrofitted 2X4 troffer, 2-lamp, Unknown Manufacturer	100	
192	F97	1	Recessed down light/induction, QD985301E-0951LL Portfolio	130	
193	F98	1	Exterior wall mount, 221P 42W TRF 120 G4 BL NP, Gardco	170	
194	F100	1	Recessed 2x4 patient care, 2M 8 CF40 W EB, Daybrite, Lite Control	130	
195	F101	4	1x4 surface fluorescent EP2MX 232 S18 H	530	
196	F102	1	Direct/indirect liner pendant (96" sections), P ID 52 3 8 T8 LP ELB, Lite Control	210	
197	F103	1	Linear wall sconce, W AID 34 1 3 T5HO PFF LP/ELB	210	
198	F105	3	CFL dimming down light, 5/32T/CSF/-Lutron 2-wire dimming ballast 120 V, Iris	400	
199	F106	2	CFL dimming down light, 5/32T/WWWCSF/Lutron 2-wire dimming ballast 120V, Iris	270	
200	F107	1	CFL wall sconce, Etching Series H2525, Halo	170	
201	F108	1	CFL wall sconce, Stratum H2585 GS, Halo	170	
202	F109	1	CFL wall sconce, Berkley BER13-EL, Lightway	170	
203	F110	1	CFL wall scone, Palm Beach PLB117-NL, Lightway	170	
204	F111	2	CFL pendant, Alum SDPSFT42EB, Prescolite	850	
205	F112	2	CFL pendant, 476 CFL32, Shaper	850	
206	F113	8	Fluo. Under counter, SQ CFL32	1,060	
207	F114	4	Fluo. Under/over counter, 105-PL, Alkco	530	
208	H1	19	Kurt Versen Recessed Down Light, Part No. R7340-70-MH-WWW 120, 70 WATT MASTER ED 17 MEDIUM	3,070	
209	H3	1	Cooper/Fail Safe Surface Exterior Vandal Resistant, Part No. QLUC-PP-85-120WHT, 85 WATT INDUCTION	270	
210	H15	1	Direct/indirect linear pendant (48" sections), O/S FP 54/841/HO, Zumtobel	510	
211	H16	1	Direct/indirect linear pendant (48" sections), O/S FP 28/841/HO, Selux	510	
212	H40	1	Parking Garage fixture, Kim	130	
213	H43	1	Exterior Pole Light - Selux	170	
214	X1	1	Exit Sign	90	
215	X2	1	Exit Sign	90	
216	X3	1	Exit Sign	90	
217	X4	1	Exit Sign	90	
218	X5	1	Exit Sign	90	

Line No.	Tag No.	QTY / Units	Description	Market Value	CD Photo #
219	X6	1	Exit Sign	90	
220	X7	1	Exit Sign	90	
221	XE	12	Conceallte Emergency Light, Part No. F5-20-90-NS-RT, 35 MR16	5,100	
222	XE1	1	Even Light Emergency Light, Part No. MIRA 50CL-1.5C, 35 MR16	290	
223		1	Sternberg Area Light (streetlight/lamp post)	380	
224		6	Exterior fixtures on model house	610	
225		48	Sockets & switches (lightbulb wall display)	610	
226		3	Custom reflectors (over reception desk)	100	
227		4	Switches go with the ceiling sensors below (on wall display)	70	
228		4	Ceiling sensors (occupancy sensors) - on wall display	140	
229		3	Wall mounted occupancy sensors (on wall display area)	130	
230		2	Timers (on wall mount display area)	90	
231		1	Pendant (library)	850	
232		1	American Fluorescent Chandelier	130	
233		1	Lobby refracting sconce	170	
234		1	Lot Electrical Display Wiring Infrastructure	54,000	30
235		1	Capri Adjustable Pole, Part No. KAP6	60	
236					
237				$ 259,417	
238					
239			Say	$ 259,000	

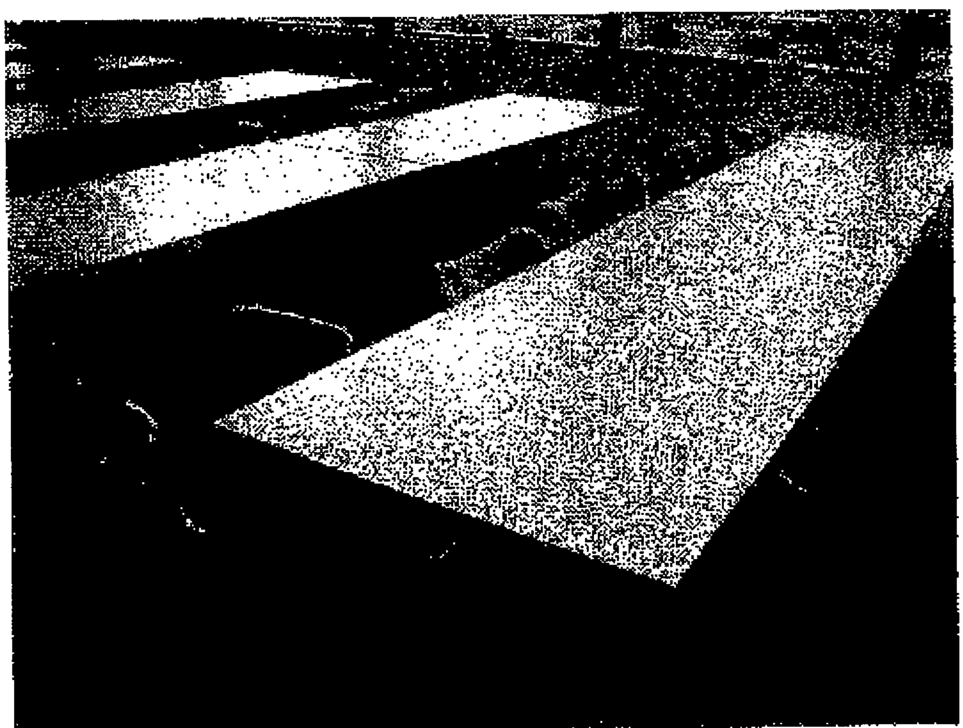
Photographs of Assets

NOTE TO READER:

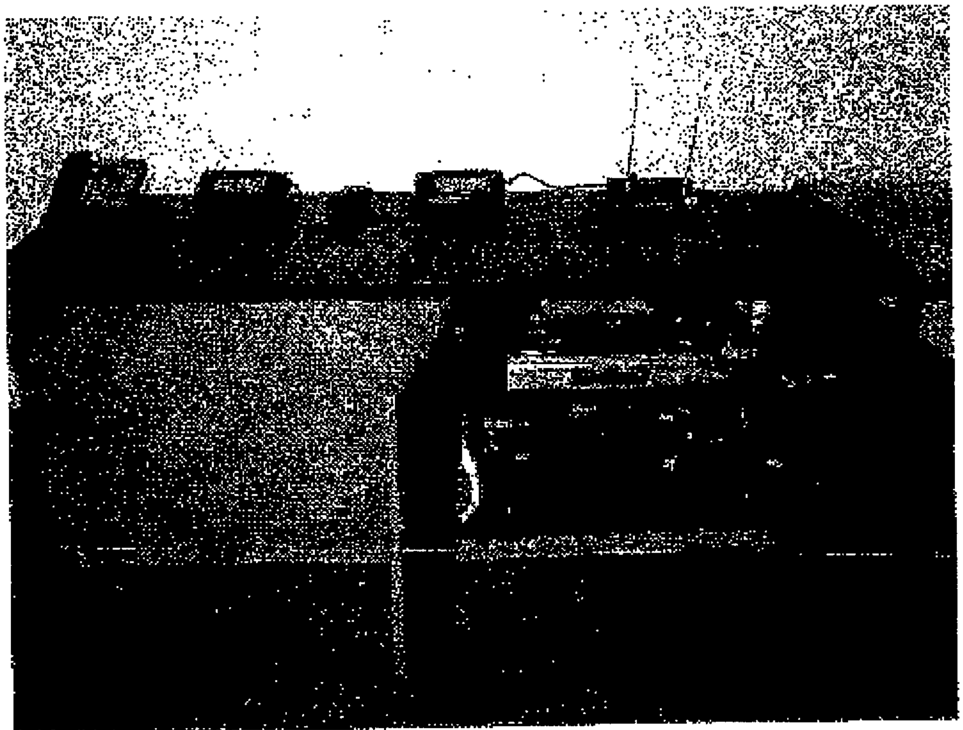
A COMPLETE FILE OF SUBJECT PHOTOGRAPHS CAN BE VIEWED FROM THE PHOTO CD ATTACHED IN THE BACK OF THIS REPORT.



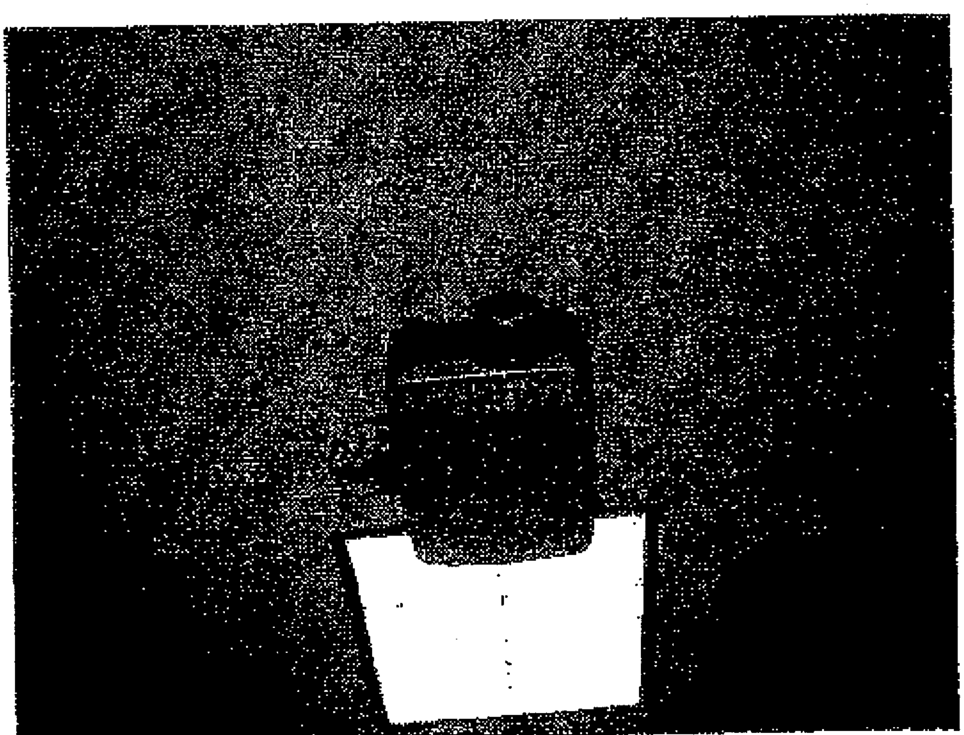
Herman Miller Ottomans



Rhododendron Auditorium



Rhododendron Auditorium AV System



Epson LCD Projector, Ceiling Mounted

Camas Room

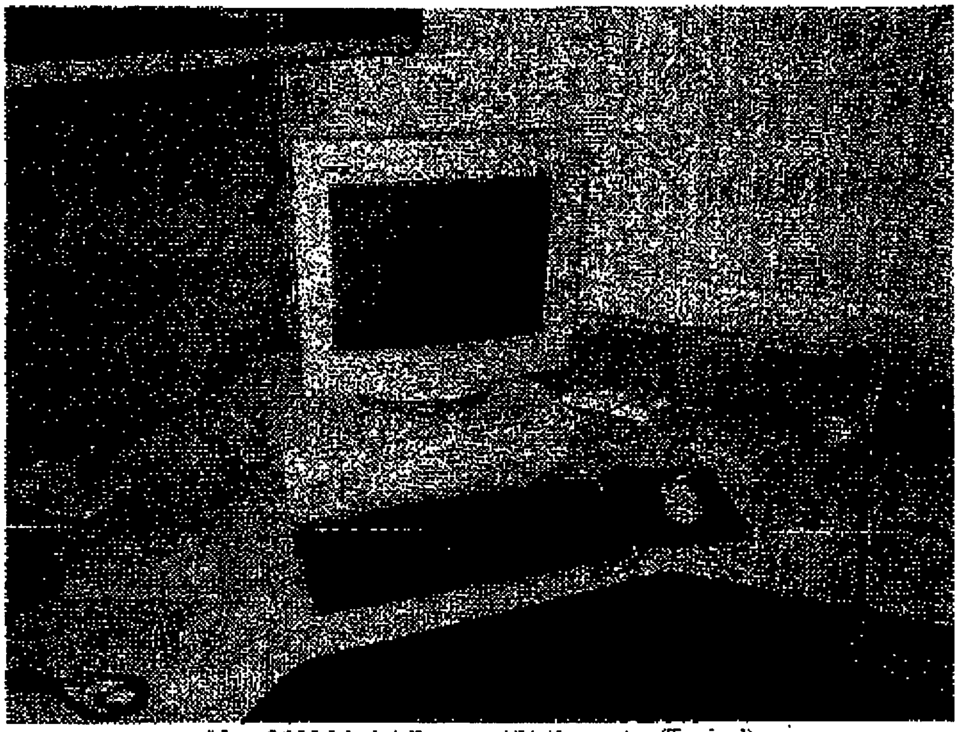
Reimers & Jolivette Desk (Fuel Cell Room)

Reimers & Jolivette Desk (Fuel Cell Room)

Hi-Bay Lab

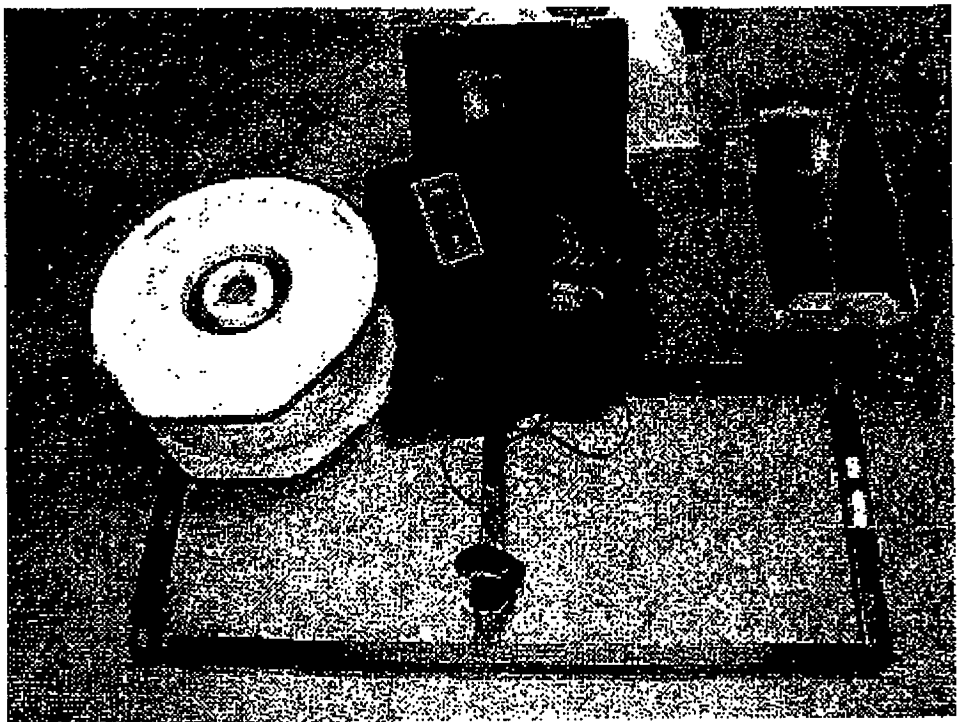
Hi-Bay Lab Adjustable (Motorized) Ceiling Trunion

Office Fax and Printer

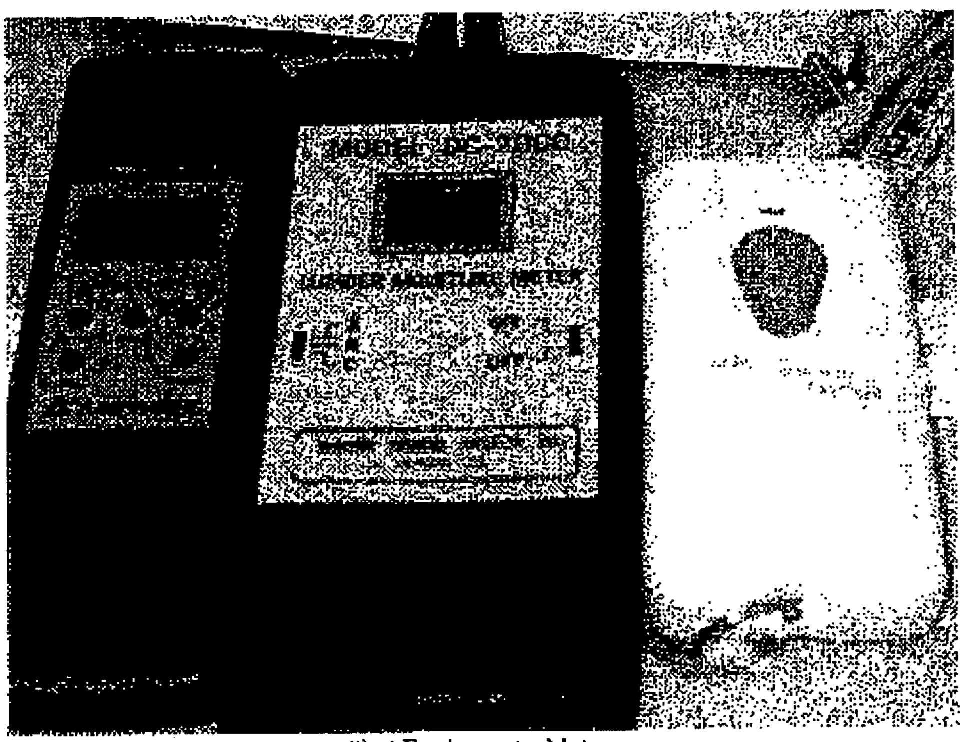


Year 2000 Model Compaq EN Computer (Typical)

Year 2004 Compaq Model NC6000 Laptop (Typical)

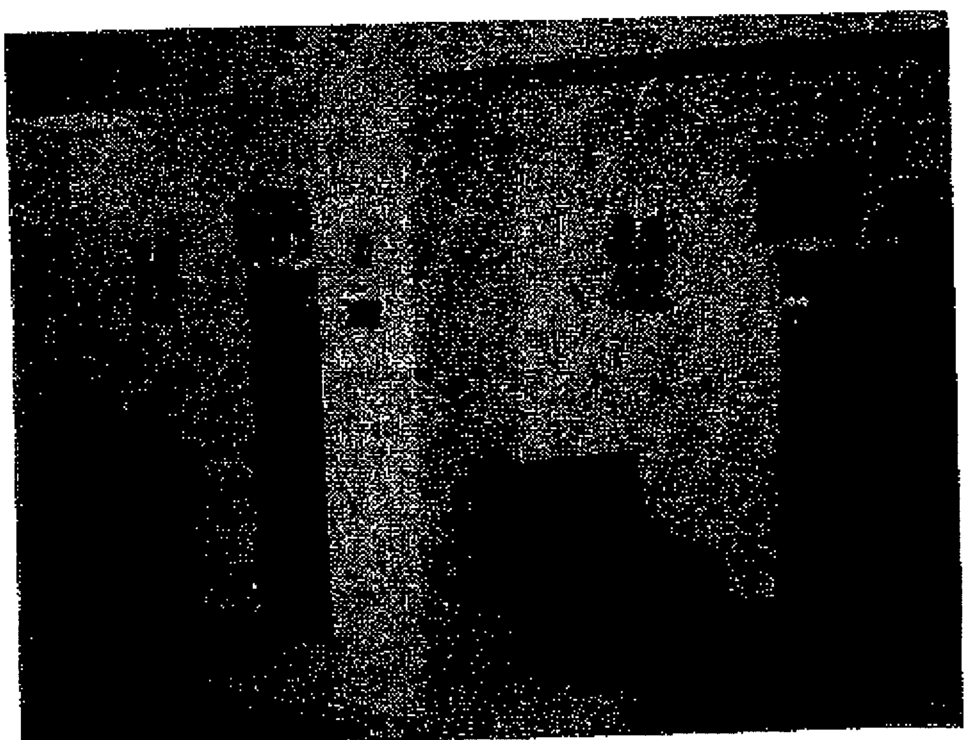


Test Equipment - Blower Doors With Manometer

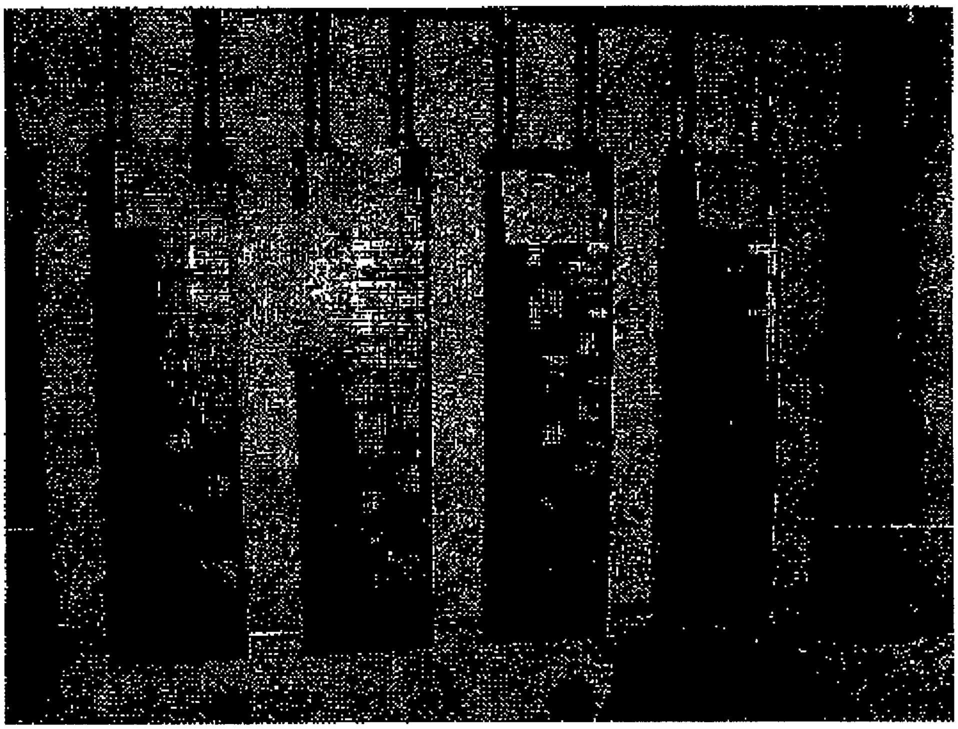


Test Equipment - Meters

House Simulation



Interior Walls


Dimmer Controls


Electrical Infrastructure and Lighting

Professional Qualifications

PROFESSIONAL QUALIFICATIONS

LARRY J. TAPANEN, ASA

Valuation Authority & Expert Witness for Special Purpose and Complex Properties

PROFESSIONAL SPECIALIZATION

Mr. Tapanen has over 37 years experience in industrial valuation and has an in-depth expertise of engagements for various purposes, including purchase and sale price allocations, cost segmentation, sale and leaseback transactions, insurance and casualty loss, and ad valorem tax.

Mr. Tapanen is a special purpose property appraisal expert and has provided appraisal services for both industry and government (federal, state, and country). He specializes in the valuation of heavy industry, including fresh and processed meats, baked goods, potatoes and other food processing, wood products, plastics, metal, and natural resource processing facilities.

PROFESSIONAL LICENSING

- State of Oregon Certified Appraiser, #C000199
- State of Washington Certified Appraiser, #TAPAANJ.J613R6.

PROFESSIONAL AFFILIATIONS

- Certified Oregon and Washington Appraiser
- Senior Member of the American Society of Appraisers (ASA)
- Portland area ASA chapter member; President from 1983-1984
- Institute of Professionals in Taxation (IPT)
- Appraisal Foundation Board of Oregon, Chair in 1990
- Oregon Tax Research Board of Directors.
- Associated Oregon Industries, Tax Policy Committee

APPRAISAL & VALUATION EXPERT WITNESS TESTIMONY

- Federal District Court
- Oregon Tax Court
- Washington District Court
- Oregon Department of Revenue
- Boards of Equalization and Tax Appeal Boards in:
- California, Oregon, Washington, & Idaho
- Kansas, Utah, Montana

EDUCATION

- Bachelor of Science in Engineering, Oregon State University, Corvallis, Oregon, 1964

PROFESSIONAL EXPERIENCE

- Tapanen Group, Inc., 1997-Present, Chief Executive Officer, Engagements Manager
- Consilium, Inc., 1985-1997, Chief Executive Officer, Projects Manager
- Marshal & Stevens Co., 1977-1985, Senior Valuation Consultant
- General Appraisal Co. (American Appraisal Co.), 1964-1977, District Manager

PROFESSIONAL QUALIFICATIONS

WESLEY J. GALE, A.M.

Industrial Appraiser - Special Purpose Properties

PROFESSIONAL SPECIALIZATION

Mr. Gale has performed appraisal analysis for industrial complexes and machinery and equipment for facilities across the United States. His work has supported appraisals for sawmills, plywood plants, secondary wood products, logging equipment, co-generation facilities, food processing, commercial printing, computer and office equipment, and aviation equipment.

Mr. Gale has provided valuation of industrial facilities in support of a variety of business transactions, including purchase and sale price allocations, cost segregation, sale and leaseback transactions, insurance and casualty loss, and ad valorem tax.

EDUCATION

- Bachelor of Science, Professional Aeronautics, Embry Riddle Aeronautical University, 2002
- Completion of a series of coursework in current appraisal techniques and principles.
- Additional coursework in environmental law/remediation, business computing, computer modeling, insurance and business loss measurement, civil engineering and mechanical drafting.

PROFESSIONAL LICENSING

- State of Oregon Licensed Appraisal Assistant, #AA01437

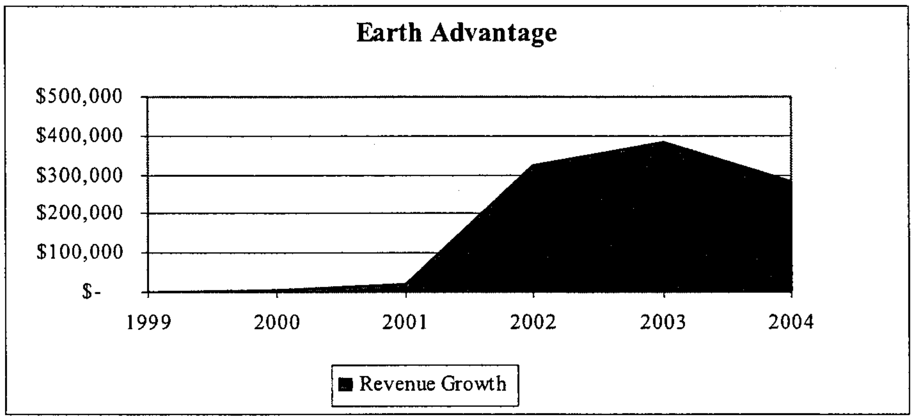
PROFESSIONAL AFFILIATIONS

- Accredited Member (A.M.) of the American Society of Appraisers (ASA), in the designation of Machinery & Technical Specialties/ Machinery & Equipment.
- Portland area ASA chapter accredited member.
- Helicopter Association International (HAI)
- Aircraft Owners and Pilots Association (AOPA)
- 101st Airborne (Air Assault) Division Association

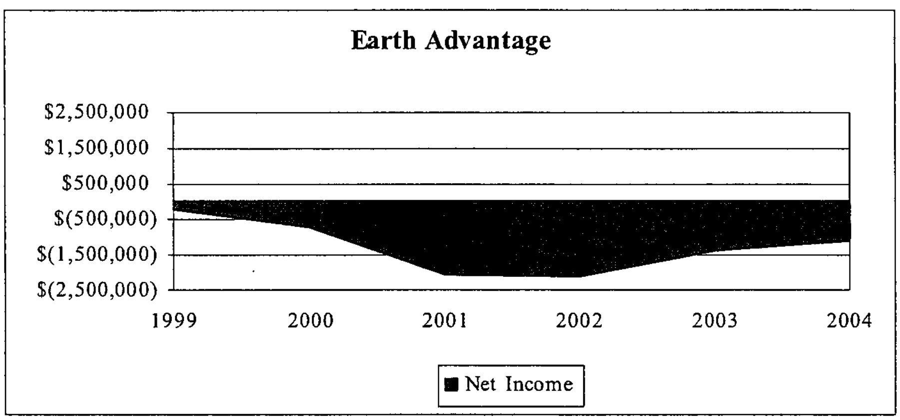
PROFESSIONAL EXPERIENCE

- Tapanen Group, Inc., Appraiser, 2000-Present
- Hilltop Research, Inc., Pharmaceutical Research Coordinator/Records, 1996-2000
- K & B Engineering, Quality Control, television cable mapping, 1999
- Tripoint, Inc., Assistant Plant Engineer, 1996-1998
- Columbia Steel Castings, Steel Castings Pressman and Forklift Operator, 1995-1996
- Pacific Fibre, Longview, WA Wood Products Truck Dispatcher, 1995
- U.S. Army 1985-1995 Chief Warrant Officer Combat Helicopter Pilot & Safety Manager; Non- Commissioned Officer Helicopter Mechanic

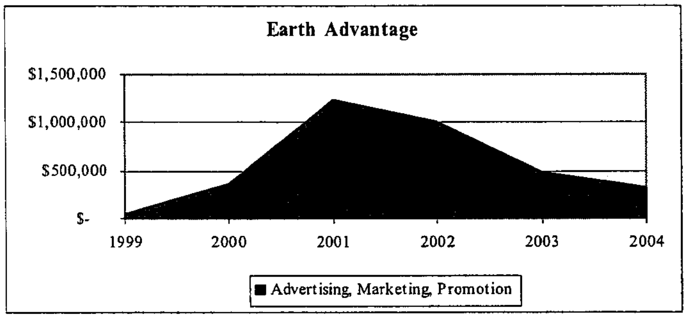
Earth Advantage has exhibited steady revenue growth from 1999 through 2003 followed by reduced revenue in 2004. This revenue growth is the result of heavy advertising and promotion for the certification coupled with government income from the Energy Trust. Reductions in Energy Trust income in 2004 caused total revenue to decrease in 2004 however, revenue exclusive of Energy Trust actually increased each of the years analyzed.

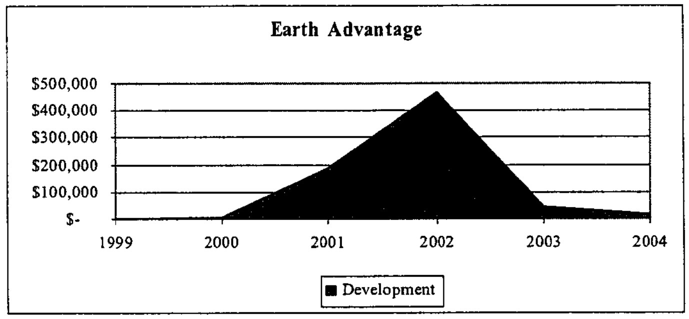


Net income was negative each of the years analyzed.



This is primarily due to heavy advertising expense. In the early years it was necessary to market the Earth Advantage concept to area builders and equipment / materials manufacturers. This "marketing" push resulted in over 120 contractors and numerous equipment and materials sponsors. After the initial marketing push, Earth Advantage drastically reduced advertising and marketing expense (this expense is not borne by the contractors and manufacturers that build to Earth Advantage specifications. In addition, Earth Advantage incurred substantial additional development costs. These costs have also decreased substantially as the Earth Advantage logo/criteria matured.





The reduction in the above major expense categories narrowed the loss significantly in the latter years of our analysis. However, Portland General Electric began charging Corporate Allocations during these years, which offset some of the savings from reduced marketing and development.

4.1.2 Past Results Conclusion

Revenues are increasing and expenses are declining however, the Earth Advantage product has not operated profitably. Management indicates a major reason for this lack of profitability is the Earth Advantage "for profit" status. Due to the environmental nature of Earth Advantage, management believes it is well positioned for public and private grants. However, these grants are not forthcoming as long as the ownership remains with Portland General Electric Company. Once Earth Advantage is transferred to a non-profit organization, it is anticipated that grants and donations will ensue.

4.1.3 Management Forecast

Management for Earth Advantage has prepared forecasts of revenue based upon historical results and current activity. Table 4-2 presents management's forecast.

TABLE4-2
Earth Advantage
Fee For Service Revenue Forecast

Fee for Service Revenues	2005	2006	2007
Builders	$ 300,000	$ 350,000	$ 400,000
Remodelers	$ 15,000	$ 15,000	$ 15,000
Consulting	$ -	$ 50,000	$ 100,000
Contracting	$ -	$ 112,500	$ 75,000
Education & Training	$ 50,000	$ 60,000	$ 70,000
Existing Sponsors	$ 67,500	$ 67,500	$ 67,500
Interest Income			
Gain or (loss) on investments			
Other Income			
Total Revenues	$ 432,500	$ 655,000	$ 727,500

As illustrated in Table 4-2, revenues are forecast to nearly three times the 2004 level. The forecast was provided by Company management who indicate it is based upon current activity. 2004 was a major growth year in the addition of new contractors and equipment manufacturers. Revenues from this growth are anticipated to occur in 2005 and beyond.

In addition to the above forecast, management has forecast expected revenue and expenses from the Energy Star licensing agreements, which are also being donated to the non-profit. This is presented in Table 4-2(a) below.

TABLE 4-2(a)
Earth Advantage
Energy Star Revenue & Expenses

	2005	2006
Revenue	$ 250,000	$ 37,500
Expense	(142,000)	(21,250)
Income	$ 108,000	$ 16,250

5. VALUATION METHODOLOGY

The valuation of a company involves consideration of the three standard approaches to value: the cost, the market, and the income approaches. These are the same approaches used to value any asset, including a house, a piece of artwork, or a machine. When more than one approach is used, the results are compared and the relevance of each discussed. The resulting estimated values are then reconciled to identify a single opinion of value.

In this Section, we will establish the value of the intangible assets of Earth Advantage. This valuation will include the value of the two years remaining on the Energy Star licensing contract. We have retained the services of The Tapanen Group, Inc. for valuation of Earth Advantages tangible assets In Section 6 we will conclude the combined value of both the tangible and intangible assets of Earth Advantage.

5.1 APPROACH SELECTION

The choice of valuation approaches to be used in a given appraisal assignment is a judgment made by the appraiser. The appraiser's choice of methods is determined by the characteristics of the business to be appraised, the availability of reliable information, and the function and use of the appraisal.

5.2 INCOME APPROACH – EARTH ADVANTAGE

The value of an income producing property, like a rental home or a commercial office building, is the present value (the value in today's dollars) of the net rental moneys an investor expects to receive in the future. The expected future net rental moneys are discounted back to a present value at a rate of return that compensates the investor for the risk that those moneys will not be received. An investor would at least want to earn a rate of return equal to a very safe investment (like U.S. Government bonds) plus a little more, depending on how marketable the property was and its locations, etc.

In business valuation, we discount the forecasted earnings of the business at a rate, which appropriately reflects the risk of achieving these earnings. Required rates of return for business are generally much higher than for rental real estate, because the risk of an investment in a business is generally much higher. This analysis is referred to as discounted cash flow analysis (DCF). The formula that summarizes this is as follows:

$$\text{Value} = \frac{\text{Return}}{(1+d)^1} + \frac{\text{Return}}{(1+d)^2} + \frac{\text{Return}}{(1+d)^3} + \ldots\ldots + \frac{\text{Return}^*(1+k)}{(d-k)/(1+k)^n}$$

Where d = discount rate, or required rate of return
Where k = assumed growth rate after forecast year

> It is important to note that several terms we use mean the same thing, namely discount rate, required rate of return, and cost of capital. These terms mean the rate of return the market requires to attract the investment with full consideration of all the investment characteristics.

It is a well known principle that the higher the perceived risk of an investment, the higher the rate of return an investor will require to make that investment, because if an investor can receive the same return for less risk he will always make the lower risk investment for the same potential return. Therefore, for higher risk investments, the investor will require a commensurably higher return to induce him to make the investment. If we assume that the return will grow at a constant rate in perpetuity then the above equation simplifies as shown below. This equation is referred to as the constant growth model. It represents the present value of a perpetual stream of returns growing at a constant rate, and is referred to as the capitalization of income method.

$$V_k = \frac{Return_o (1 + g)}{d - g}$$

Where:

V_k	=	present value of common stock
$Return_o$=	the return in the current period	
d	=	required rate of return on common stock
g	=	growth rate

Therefore, in using the income approach we can either use the DCF method or the capitalization of income method. In this appraisal, because we are anticipating substantial growth in the near-term followed by stabilization thereafter, the DCF method is considered appropriate.[50]

5.2.1 Determining The Return – Relief from Royalty

The return on equity for investors is normalized net cash flow. However, for this appraisal, Earth Advantage, there has been a history of losses. In such situations, it is appropriate to use a "royalty" or "relief from royalty" methodology. This concept assumes that if a business does not own a particular patent or trademark, it would be required to pay a contracted royalty for its use[51]. This cost savings from the relief from royalty is therefore considered the appropriate return for use in the DCF calculations.

5.2.1.1 RoyaltySource®

In order to establish an appropriate royalty level for Earth Advantage, we performed an inquiry of the RoyaltySource® Intellectual Property Database. The source of information in the database includes public financial records, news releases and other articles and references. It also includes date from the Licensing Economics Review. In our search we specifically sought licensing transactions related to copyright content and trademarks which were related to construction & home improvement.

Our search resulted in ten transactions that appeared relevant to the valuation of Earth Advantage. Table 5-1 below illustrates a summation of the royalty data. (A more detailed summary of these ten transactions is included in Appendix A).

---

[50] Thomas E, Copeland and J, Fred Weston, *Financial Theory and Corporate Policy* 2nd Ed. (Reading Mass.: Addison-Wesley Publishing Co.) 1983, p. 21;
Richard E. Brealey and Steward C. Myers, *Principles of Corporate Finance*, 3rd Ed. (New York, New York: McGraw-Hill Book Company) 1988, p. 52
Zui Bodie, Alex Kane and Alan J. Marcus, *Investments* (Homewood Illinois: Richard D. Irwin, Inc.) 1990, pp. 473-475.
[51] Scott McMullin, *The Valuation of Patents* (Business Valuation News), September 1990

Table 5-1
Earth Advantage
RoyaltySource Intellectual Property Database

Lowest 50th Percentile

Licensee	Licensee Business	Licensed Property	Royalty Rate
Knickerbocker LLC	Dolls & stuffed toys	Trademark for Clean Room Ionizers and products for use in removing harmful particles from the air.	2%
American Remodeling Inc.	Construction - special trade contractors	Exclusive license to trademarke in connection with various construction related products. E.g.: siding, gutters, windows.	3%
National Safety Associates of Canada, Inc.	Government Agency	Trademarks associated with advertisement, promotion and sale of various types of water filters and water treatment systems	3%
OYL Manufacturing	Refrigeration & Heating Equipment	Nonexclusive, non-transferrable rights to trademark in connection with marketing of HVAC products.	2% - 5%
Catalina Lighting Inc.	Electric lighting and wiring equipment	licensing agreement for use of Westinghouse logo.	4%
		Average of Lowest 50th Percentile	**3%**
		Median of lowest 50th Percentile	**3%**

Highest 50th Percentile

Licensee	Licensee Business	Licensed Property	Royalty Rate
Ranco Inc.	Process control instruments	Assignment of trademarks to sale manufacture and merchandising of smoke alarms, cabon monoxide detectors, heat detctors and flamable gas dectectors.	5%
John Goss Projects Pty Ltd.	Insulation products	Licensing for standards on energy efficiency, new code requirements for Austrailia.	5%
National Association of Home Builders	Home builders association	Profitable research center owned by home builders association. Lawsuit resulted in royalty payments	5%
Coleman Spas Inc.	Electric houswares and fans	Assingment of trademarks to sale, manufacture and distribution of spas, hot tubs and parts.	8%
American Remodeling Inc.	Construction - special trade contractors	Licnesing agreement to use the Sears trade name.	12%
		Average of Highest 50th Percentile	**7%**
		Median of Highest 50th Percentile	**5%**

As illustrated above, royalties ranged from 2% of sales to 12% of sales. Royalties are based upon a number of factors including: Name recognition, revenue generated, and the profitability of revenues.

The Earth Advantage trademark has regional recognition rather than national or international. While it is becoming known, it is far from a household name (such as Sears or Coleman). Furthermore, revenue, while increasing, is limited and not profitable.

Therefore, when considering a reasonable royalty for use in the relief from royalty methodology, it is appropriate to use a royalty at the low end of the range. The median of the lowest 50th percentile of the royalty range is 3% (as is the average). We have selected 3% as a reasonable royalty level for Earth Advantage.

5.2.2 *Relief From Royalty Calculation*

Table 5-2 presents Company management's forecast of revenue and our calculation of relief from royalty.

Table 5-2
Earth Advantage
Fee For Service Revenue Forecast

	2005	2006	2007
Builders	$ 300,000	$ 350,000	$ 400,000
Remodelers	$ 15,000	$ 15,000	$ 15,000
Consulting	$ -	$ 50,000	$ 100,000
Contracting	$ -	$ 112,500	$ 75,000
Education & Training	$ 50,000	$ 60,000	$ 70,000
Existing Sponsors	$ 67,500	$ 67,500	$ 67,500
Total Revenues	$ 432,500	$ 655,000	$ 727,500
Multiplied by Royalty Percentage	0.03	0.03	0.03
Equals Relief from Royalty	$ 12,975	$ 19,650	$ 21,825

5.2.3 *Required Rate Of Return – Relief from Royalty*

An investor's required rate of return is influenced by the risk of not receiving anticipated earnings, or not receiving them when expected. As the risk of an investment increases, so does the return the investor will require in order to make the riskier investment. Equity investments are more risky than debt investments, because a debt instrument provides a specific promise as to the amount and timing of returns on the investment. In fact some, if not most, of the return of a debt investment comes regularly throughout the holding period in the form of interest payments. This is not the case with equity investments where there is no promise of a specific return, and in fact there may be no return during the holding period until the investment is sold.

The additional risk of the equity holder over the debt holder is referred to as a risk premium. This premium is added to what is considered a risk free rate of return. We chose the strip rate (yield) on 20-year U.S. Treasury bonds, which have been divided (stripped) into two securities. One represents the principal of the note, the other represents interest payment. The two securities are then traded on a stand-alone basis. An investor can earn the above quoted rate of return by simply buying the strip security, which has a guaranteed interest rate, and guaranteed payoff. It has no risk of default or loss of capital as long as the security is held to maturity.

In order to determine the premium for the required rate of return for equity investments, which Earth Advantage intangible assets represent, in relation to the risk free rate of return, we researched historical equity returns over a long-term investment horizon. According to the study *Stocks, Bonds, Bills, and Inflation: 2004 Yearbook*[52], the annual return premium on the Standard & Poor's 500 Composite Common Stock Index above the risk free rate was 7.19% (arithmetic mean) over the period 1926 - 2004.

The equity risk premium was derived from a broad composite of returns of large, highly capitalized companies trading on the national exchanges. It does not take into account the business and financial risk, specific to a small entity such as Earth Advantage. According to *Stocks, Bonds, Bills, and Inflation: 2004 Yearbook*[53], the mean return for stocks of companies with a market capitalization below $197 million over the period 1926 to 2003 reflected an additional small-stock risk premium of approximately 3.2% over the generic risk premium found for the larger S&P 500 Composite Common Stock Index (Beta Adjusted).

The risk premiums we have discussed so far do not reflect the business and financial risk of associated with Earth Advantage. The most significant of these risks is the possibility that contractors may determine a reduction in value related to the Trademark and the Earth Advantage program. Additionally, management has forecast substantial growth in the near term and, lack of positive historical cash flow may render the trademark useless.

The industry is expected to expand. However, historically, Earth Advantage has not generated revenues similar to forecasts. Therefore, it is considered too early to reduce risk based upon the industry expected growth.

Table 5-3 illustrates our determination of the appropriate discount rate for Earth Advantage.

[52] SBBI Stocks, Bonds, Bills, and Inflation Valuation Edition 2004 Yearbook, p. 66
[53] SBBI Stocks, Bonds, Bills and Inflation Valuation Edition 2004 Yearbook, p. 38

TABLE 5-3

Earth Advantage

Schematic Diagram of Elements of a Discount Rate

	Explanation of Component	Component Value	Source
Risk Free Rate	US Treasury Rate at or Near the Valuation Date	4.85	20 Year US Treasury Bond Yield at December 31, 2004
Equity Risk Premium	Data Available from Ibbotson Associates Represents Equity Return (S&P 500) over US Treasury Instrument Rates.	7.19	Long Horizon Expected Equity Risk Premium Times Beta. Source for Long Horizon Equity Premium: Ibbotson SBBI 2004 Yearbook.
Small Stock Premium	Data Available from Ibbotson Associates Represents Additional Risk Inherent in Small Company Stocks	3.20	Size Premium Times Beta. Source for Size Premium: Ibbotson SBBI 2004 Yearbook.
Industry Risk Premium	Incremental Addition to the Discount Rate: Additional Return to Stocks of Companies In the Subject Company's Industry	0.00	Additional Industry Risk Premium. Source: Ibbotson SBBI 2004 Yearbook.
Specific Risk	Industry / Company Specific Risk Premium.	5.00	See Specific Company Risk Notes Below
		20.24	
Rounded		20.00	

Specific Company Risk Notes:

a	Length of Time in Business	Earth Advantage is a relatively new business Discount rate adjustment:	2%
b	Financial Considerations	Substantial forecast for growth. Risk that growth doesn't materialize Capitalization rate adjustment:	4%
c	Condition of the Economy	U.S. Economy is improving. Capitalization rate adjustment:	-1%
		Total Company Specific Risk	5%

5.2.4 Income Approach Conclusion – Relief from Royalty

Table 5-4 presents our determination of the value of Earth Advantage intangible assets based upon the income approach. For this determination, we used management's 3 year forecast followed by perpetual growth at a rate similar to inflation (3%).

TABLE 5-4 Earth Advantage Discounted Cash Flow - Relief From Royalty Calculation								
Years	**2005**		**2006**		**2007**			**Terminal Year (1)**
Return	$\frac{\text{Return}}{(1+d)^1}$	+	$\frac{\text{Return}}{(1+d)^2}$	+	$\frac{\text{Return}}{(1+d)^3}$	+.....+		$\frac{\text{Return} * (1+k)}{(1+d)^n}$
Where d = discount rate, or required rate of return								
Where k = assumed growth rate after forecast year								
Years	**2005**		**2006**		**2007**			**Terminal Year (1)**
Return (Relief From Royalty)	$\frac{\$12,975}{(1+.20)^1}$	+	$\frac{\$19,650}{(1+.20)^2}$	+	$\frac{\$21,825}{(1+.20)^3}$	+		$\frac{\$21,825 * 1.03}{.20-.03 / (1+.20)^3}$
Where d = discount rate, or required rate of return								
Where k = assumed growth rate after forecast year								
	2005		**2006**		**2007**			**Terminal Year (1)**
Return (Relief From Royalty)	$12,975	+	$19,650	+	$21,825	+		$22,480
	1.20		1.44		1.73			0.10
Where d = discount rate, or required rate of return Where k = assumed growth rate after forecast year								
Distounted Future Cash Flow	$10,813	+	$13,646	+	$12,630	+		$228,500
Present Value	$265,589							
Rounded	$265,000							
Discount Rate	0.20							
(1) Terminal year is the year in which royalty revenue is expected to stabilize. We anticipate stabilized growth to be similar to expected inflation or 3% per year.								

Table 5-4 presents the value established from the relief from royalty calculation. This calculation develops the value of the intangible assets of Earth Advantage. The tangible asset value as determined by the Tapanen Group, Inc. will be presented in Section 6 of this report.

5.3 INCOME APPROACH – ENERGY STAR

As with the Earth Advantage income based methodology, the Energy Star licenses also can also be valued using an income approach. However, unlike Earth Advantage, the Energy Star licenses have generated a profit and are expected to generate a profit through their expiration.

5.3.1 Determining the Return – Energy Star

Management has provided revenue and expense forecasts through the expiration of the Energy Star licensing agreements. Unlike Earth Advantage, these licensing agreements have been profitable and will remain profitable through their expiration. The projected profitability was presented in Table 4-2(a) in Section 4 of this report.

5.3.2 Required Rate of Return – Energy Star

As discussed previously, the Energy Star licensing agreements generate positive income. Furthermore, these licensing agreements are funded by government agencies. Therefore, the risk associated with the revenues is greatly diminished when compared with Earth Advantage where revenue is generated from contractors and manufacturing companies. The substantially reduced risk results in a reduced discount rate from that required for Earth Advantage. Table 5-5 illustrates our discount rate determination for the Energy Star contracts.

TABLE 5-5

Earth Advantage

Schematic Diagram of Elements of a Discount Rate

	Explanation of Component	Component Value	Source
Risk Free Rate	US Treasury Rate at or Near the Valuation Date	4.85	20 Year US Treasury Bond Yield at December 31, 2004
Equity Risk Premium	Data Available from Ibbotson Associates Represents Equity Return (S&P 500) over US Treasury Instrument Rates.	7.19	Long Horizon Expected Equity Risk Premium Times Beta. Source for Long Horizon Equity Premium: Ibbotson SBBI 2004 Yearbook.
Small Stock Premium	Data Available from Ibbotson Associates Represents Additional Risk Inherent in Small Company Stocks	3.20	Size Premium Times Beta. Source for Size Premium: Ibbotson SBBI 2004 Yearbook.
Industry Risk Premium	Incremental Addition to the Discount Rate: Additional Return to Stocks of Companies In the Subject Company's Industry	0.00	Additional Industry Risk Premium. Source: Ibbotson SBBI 2004 Yearbook.
Specific Risk	Industry / Company Specific Risk Premium.	(3.00)	See Specific Company Risk Notes Below
		12.24	
Rounded		12.00	

Specific Company Risk Notes:

a Length of Time in Business	Well known branding, licensing agreement is with government agencies.		
	Discount rate adjustment:	-1%	
b Financial Considerations	Licensing agreements are short-term, forecasts are considered reliable		
	Capitalization rate adjustment:	-2%	
c Condition of the Economy	Economic considerations are not expected to impact the reliability of the income from licensing agreements		
	Capitalization rate adjustment:	0%	
	Total Specific Risk	-3%	

5.3.3 Income Approach Conclusion – Energy Star

Table 5-6 illustrates our determination of the value of the balance of the Energy Star licensing agreements.

TABLE 5-6 Earth Advantage Discounted Cash Flow -Energy Star			
Years	**2005**		**2006**
Return	Return / $(1+d)^1$	+	Return / $(1+d)^2$
Where d = discount rate, or required rate of return			
Where k = assumed growth rate after forecast year			
Years	**2005**		**2006**
Return (Earnings from Energy Star License)	$108,000 / $(1+.20)^1$	+	$16,250 / $(1+.20)^2$
	2005		**2006**
Return (Earnings from Energy Star License)	$108,000 / 1.12	+	$16,250 / 1.25
Distounted Future Cash Flow	$96,429	+	$12,954
Present Value	$109,383		
Rounded	$110,000		
Discount Rate	0.12		
Note: Unlike the Earth Advantage Relief from Royalty calculation, these licensing agreeements expire in 2005 & 2006. Therefore, there is no terminal value for this calculation.			

5.4 Market Approach

The market approach is another approach used to value a business. This approach values the subject by comparison with recent transactions conducted by similar companies. For this appraisal assignment, the value determined in the income approach was developed from relief from royalty methodology. The royalty relief was developed from the sale of similar intangible assets, which resulted in royalties paid to the seller. Therefore, the income approach as developed in this report under relief from royalty is considered both an income and a market approach.

With regards to the Energy Star licensing agreements, we were unable to obtain direct market information for such short-term contracts with such specialized focus. Therefore, the market approach was rejected due to lack of available information.

5.5 COST APPROACH (ASSET BASED APPROACH)

In business valuations, the cost approach is more commonly termed the asset-based or adjusted net asset approach. The theory behind the asset-based approach is that the value of a company equals the cost to replicate assets less the liabilities owed by the company. In valuing the intangible assets of a company, we use the cost to replicate assets of the company that are not listed on the balance sheet.

In review of the costs incurred in the development of Earth Advantage were approximately $675,000. The marketing of the brand to builders, developers, manufacturers and the public was more than $4.0 million. These costs were integral in developing the name recognition necessary to generate potential royalty income.

However, to place emphasis on these costs as an indicator of value would overstate the fair market value as defined in Section 1.5 of this report. Therefore, we have rejected the cost approach in determining the fair market value of the intangible assets of Earth Advantage. The tangible value of Earth Advantage assets was determined by the Tapanen Group, Inc. This value will be included in Section 6 of this report when we determine the final value of all tangible and intangible assets of Earth Advantage.

6. VALUATION CONCLUSION

At this point in the appraisal of Earth Advantage, we combine the value of the intangible assets with that of the tangible assets as determined by the Tapanen Group. Table 6-1 presents the value of all tangible and intangible assets of Earth Advantage, including the Energy Star Licensing Agreements, as of the valuation date.

TABLE 6-1
Earth Advantage
Valuation Summary

		Indicated Value
Intangible Asset Value (From Section 5)	$	265,000
Energy Star Licensing Agreements	$	110,000
Tangible Asset Value (From Tapanen Group, Inc.)	$	259,000
Combined Value of Tangible and Intangble Assets	$	634,000

Mark E. Foat, CBA
For: McCoy & Company CPAs, P.C.

Richard H. Gassner, JD, MBA
For: McCoy & Company CPAs, P.C.

APPENDIX A: ROYALTYSOURCE® INTELLECTUAL PROPERTY DATABASE

6.1.1.1 *RoyaltySource Intellectual Property Database*

A service provided by AUS Consultants

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**O.Y.L. Manufacturing Company, Shenzhen O.Y.L.**
Electrical Co	**. Ltd & P.T. O.Y.L. Sentra Manufacturing**
Licensee Business:	Refrigeration and heating equipment
Licensor:	**AAF MSQuery Inc**
Licensor Business:	Refrigeration and heating equipment
Royalty Rate, % (low range):	**2.00**
Royalty Rate, % (high range):	**5.00**
Upfront Fee:	

Licensed Property:
Trademark License and Royalty Agreements dated December 27, 1995, the Company, a subsidiary of a publicly traded Malaysian company, has granted a nonexclusive, nontransferable rights and licenses to use the trademark "McQuay" in connection with the sale and marketing of certain HVAC products exclusively through Shenzhen's, OMC's and PT OYL's respective international distribution networks.

Compensation Detail:
Royalty: OMC, Shenzhen and PT OYL have each agreed to pay the Company earned royalty payments ranging from 2% to 5% of the accumulated net sales of such products.

Source: Form 10-K405 AAF MCQUAY INC, 9/23/1997

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**Knickerbocker L L Co Inc**
Licensee Business:	Dolls and stuffed toys
Licensor:	**American Environmental Systems Inc**
Licensor Business:	Hazardous waste management
Royalty Rate, % (low range):	**2.00**
Royalty Rate, % (high range):	**2.00**
Upfront Fee:	

Licensed Property:
The Company has entered into licensing agreement for the trademark "ECT(R) as part of a Product Development and License Agreement on August 4, 1992 for ECT Clean Room System Ionizers and products; a device for removing potentially harmful particles (such as second hand cigarette smoke, bacteria, dust and pollens) from an indoor environment.

Compensation Detail:
Royalty: The Company pay a royalty of two percent of the proceeds received by the Company from all sales of the products using the trademark "ECT(R)

Source: Form 8-K Knickerbocker L L Co Inc, 11/20/1996

6.1.1.3 RoyaltySource Intellectual Property Database

A service provided by AUS Consultants

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**American Remodeling Inc**
Licensee Business:	Construction - Special Trade Contractors
Licensor:	**Century21 Real Estate Corp**
Licensor Business:	Real estate investment trusts
Royalty Rate, % (low range):	**3.00**
Royalty Rate, % (high range):	**3.00**
Upfront Fee:	

Licensed Property:
On October 17, 1995, the Company granted to Licensor an exclusive license to the Trademark in connection with the marketing, selling, furnishing, and installation of home improvement products; "CENTURY 21" and the stylized version and logo depicted; "Century 21 Home Improvements". LICENSED PRODUCTS: Siding and related products, which related products include, but are not limited to, overhang and trim; 2. Continuous guttering; 3. Windows and related products, which related products include, but are not limited to, storm windows (interior and exterior), shutters, awnings, screens and skylights; 4. Kitchen cabinet refacing and related products, which related products include, but are not limited to, counter tops and replacement cabinets; 5. Kitchen and bath remodeling, including all related materials, products and trades; 6. Roofing and related products, which related products include, but are not limited to, attic ventilation, insulation, whole house fans and skylights; 7. Exterior coating; 8. Brick and decorative stone facing; 9. Painting (exterior and interior) and related products, which related products include, but are not limited to, exterior textured coating and stucco; 10. Doors, including, but not limited to, entry doors and patio doors; 11. Garage doors; 12. Patio enclosures; 13. Deck, patio, and related products, including, but not limited to, wood decks, car ports, roofovers and foundations.

Compensation Detail:
Royalty: ARI will make royalty payments to 21 in initial amounts equal to the greater of \$11 million per year or 3% of revenues, with the minimum royalty payment increasing to an estimated amount of \$40 million by the end of the 20 year term of the License Agreement and will make contributions to an advertising fund in the amount of \$10 million per year. ARI also has the right to grant sub-licenses under the License Agreement.
"Sublicensee Royalties" shall mean three percent (3%) of all revenue of Licensee's sublicensees upon which any payments to Licensee by Licensee's sublicensees pursuant to sublicense agreements hereunder are based.

Source: Form 8-K AMRE, INC.: EXHIBIT 7.1, 10/27/1995

6.1.1.4 RoyaltySource Intellectual Property Database

A service provided by AUS Consultants

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**Coleman Spas Inc**
Licensee Business:	Electric housewares
Licensor:	**Coleman Company Inc**
Licensor Business:	Electric housewares and fans
Royalty Rate, % (low range):	**8.00**
Royalty Rate, % (high range):	**8.00**
Upfront Fee:	

Licensed Property:
February 26, 1992; Assignment of trademarks to sale, manufacture, and distribution of spas, hot tubs, parts, and accessories. Coleman licensed its name and logo to the operators of its spa and hot tub business and the gasoline-powered portable generator business.

Compensation Detail:
Royalty: Coleman licensed its name and logo to the operators of its spa and hot tub business and the gasoline-powered portable generator business, in exchange for a royalty of 8 percent of sales.

Source: Form 10-K Coleman Company, Inc. Exhibit 10.3, 3/25/1993

6.1.1.5 *RoyaltySource Intellectual Property Database*

A service provided by AUS Consultants

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**Ranco Inc**
Licensee Business:	Process control instruments
Licensor:	**Coleman Company Inc**
Licensor Business:	Electric housewares and fans
Royalty Rate, % (low range):	**5.00**
Royalty Rate, % (high range):	**5.00**
Upfront Fee:	

Licensed Property:
As part of an asset sale, the Company granted to the purchaser, as of March 24, 1998, an exclusive license throughout the Territory during the Term to all of Licensor's right, title and interest in and to the Licensed Mark for use as a trademark and service mark, solely in conjunction with the term "Sheltra," for use solely in connection with the manufacture, advertising, merchandising, promotion, publicity, use, sale, distribution and servicing of Licensed Merchandise; Licensed Mark shall mean the trademark "COLEMAN," and the variations thereof and associated logos and Merchandise shall mean smoke alarms, carbon monoxide detectors, heat detectors, flammable gas detectors and indoor air quality monitors.

Compensation Detail:
Royalty: Licensee shall pay Licensor a royalty of five percent (5%) of Net Sales.

Source: Form 8-K COLEMAN CO INC: EXHIBIT 10.1, 4/3/1998

6.1.1.6 RoyaltySource Intellectual Property Database

A service provided by AUS Consultants

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**John Goss Projects Pty Ltd.**
Licensee Business:	--
Licensor:	**Cool or Cosy Ltd**
Licensor Business:	--
Royalty Rate, % (low range):	**5.00**
Royalty Rate, % (high range):	**5.00**
Upfront Fee:	

Licensed Property:
April 2004 licensing agreement (including the right to the trademarked name) between two Australian companies. Under the agreement, licensee is licensed to install Cool or Cosy products in the regional cities of Rockhampton and Gladstone, the town of Emerald and surrounding areas. Cool or Cosy are insulation products and the licensee is an electrical contractor. The introduction of licensing agreements follows changes to the Building Code of Australia setting a new national standard on energy efficiency. The code requires ceiling insulation to be installed during the construction of all new homes. The licensee will be licensed to use the Cool or Cosy name as part of its business, and will source all its insulation materials exclusively from Cool or Cosy.

Compensation Detail:
Royalty: Cool or Cosy will gain from the sale of its cellulose insulation product and will also retain a 5 per cent royalty on all insulation sales made by John Goss Projects.

Source: AAP Company News (Australian) SECTION: Financial News, 4/5/2004

6.1.1.7 *RoyaltySource Intellectual Property Database*

A service provided by AUS Consultants

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee: **National Association of Home Builders (NAHB) Research Center**
Licensee Business: --

Licensor: **National Association of Home Builders (NAHB)**
Licensor Business: --

Royalty Rate, % (low range): **5.00**
Royalty Rate, % (high range): **5.00**
Upfront Fee:

Licensed Property:
October 2004, details of a related-party trademark licensing agreement (2002) have come to light because of a messy court case. A U.S. home-builders association with a profitable research center sought to minimize taxes by entering into a licensing agreement with the research center to license it's trademarked name to the center. Tax issues, employee issues, and board disagreements have resulted in a lawsuit between former directors/employees and the association. One former employee is claiming tortious interference with contract and civil conspiracy and is seeking $9 million in damages. Note that there were two very different royatly recommendations made by consultants prior to the signing of the memorandum of agreement. The association went with the higher of the recommendations.

Compensation Detail:
Royalty: Trademark consulting company InteCap Inc. was summoned to study the issue. It recommended the center should pay anywhere from 4 percent to 6 percent of its annual gross revenue in royalties to the association. Upon the advice of Powell Goldstein, the NAHB and the center's board agreed upon a 5 percent annual fee.

Source: *Broward Daily Business Review* *SECTION: LAWYERS; Vol. 45; No. 221; Pg. 10, 10/21/2004*

6.1.1.9 RoyaltySource Intellectual Property Database

A service provided by AUS Consultants

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**American Remodeling Inc**
Licensee Business:	Construction - Special Trade Contractors
Licensor:	**Sears, Roebuck and Co**
Licensor Business:	Department stores
Royalty Rate, % (low range):	**12.00**
Royalty Rate, % (high range):	**12.00**
Upfront Fee:	

Licensed Property:
From 1981 through 1995: The Sears License Agreement covered specific territories and gave the Company the right to market, sell and install siding and related exterior home improvement products, kitchen cabinet refacing and countertops, replacement windows and exterior coating under the Sears brand name in those territories.

Compensation Detail:
Royalty: In 1995, the Sears License Agreement provided for license fees to Sears of 12% of the Company's contract revenues from sales in the licensed territories. The Company did not renew the Sears License Agreement when it expired on December 31, 1995.

Source: Form 10-K405 AMRE INC, 3/12/1996

Trademark: Construction & Home Improvement Related
15-Feb-05

Licensee:	**Catalina Lighting Inc**
Licensee Business:	Electric lighting & wiring equipment
Licensor:	**Westinghouse Electric Corp**
Licensor Business:	Television broadcasting stations
Royalty Rate, % (low range):	**4.00**
Royalty Rate, % (high range):	**4.00**
Upfront Fee:	

Licensed Property:
DATE: November 19, 2001. The Company hereby grants the Licensee an exclusive license, without the right to grant sublicensee, to use the MARKS solely on or in connection with the PRODUCTS and solely in the TERRITORY until the expiration or termination of this Agreement. MARKS - The trademarks WESTINGHOUSE, Circle W, and You can be sure as shown in Appendix B attached hereto and made a part hereof. PRODUCTS - The lighting fixtures, portable lights and flashlights specified in Appendix C utilizing the MARKS. TERRITORY - United States, Canada and Mexico

Compensation Detail:
Royalty: CATALINA agrees to pay WESTINGHOUSE four (4.0%) percent of the NIP of all PRODUCTS sold, leased or otherwise transferred by or for CATALINA. If a NIP is not available for such PRODUCTS, a commercially equivalent amount shall apply. 4.2 CATALINA also agrees to pay WESTINGHOUSE a minimum annual payment of Two Hundred Fifty Thousand Dollars ($250,000) for fiscal year (October 1 through September 30) 2002.

Source: Form 10-Q CATALINA LIGHTING INC: Exhibit 10.24(d), 2/14/2002

APPENDIX B: VALUATION METHODS CONSIDERED BUT REJECTED

Valuation Methods Considered But Rejected

Cost Approach
As discussed in Section 5, the cost to develop the intangible value of Earth Advantage were such that to rely upon cost of development as an indicator of value would overstate the fair market value. Therefore, the cost approach was rejected. With regards to the Tapanen Group appraisal of tangible assets, the costs were considered and discussed.

Capitalization of Income Method
Earth Advantage revenues are forecast to grow substantially in the near term followed by stabilization in the future. The use of the capitalization of income method would result in an understated value for Earth Advantage. Therefore, we rejected this methodology.

APPENDIX C: QUALIFICATIONS OF VALUATION ANALYSTS

QUALIFICATIONS OF VALUATION ANALYST
MARK E. FOAT, CBA

Mark E. Foat was born and raised in Portland, Oregon. He graduated from Warner Pacific College with a Bachelor of Science in Business Administration.

Mr. Foat was employed for over ten years by large financial institutions. As a commercial lender, he approved millions of dollars in loans for closely held businesses and has facilitated the finance of numerous business acquisitions in the Pacific Northwest.

Currently, Mr. Foat is a Principal in International Business Associates, a full service business brokerage, that also provides business appraisal, consulting services; and a Principal in the Certified Public Accounting firm of McCoy & Company., CPA's, PC. He holds the Certified Business Appraiser (CBA) designation from the Institute of Business Appraisers. He is an active business broker, provides business valuation services, arranges and negotiates financing, and acts as business advisor to both firm's clients.

In addition to valuation engagements performed for partnership dissolution, marital dissolution and estate planning, Mr. Foat has also been retained by financial institutions to appraise businesses for lending purposes. Commercial lenders have relied upon his reports and analyses for the purpose of business acquisition; US Small Business Administration guaranteed loans; leveraged ESOP transactions and conventional commercial financing. Institutional clients include: US National Bank, West Coast Bank, Newcourt Financial Services Columbia Credit Union and Centennial Bank (Now Umpqua Bank).

Mr. Foat has lectured on commercial finance, business valuation and other business topics at seminars for various business groups.

Below is a list of organizations and accomplishments:

- CBA - Certified Business Appraiser
- Licensed Business Sales Agent – State of Oregon
- BS - Warner Pacific College (Cum Laude)
- Passed Securities and Exchange Commission Series 6 & 63 Securities Licenses examinations
- IBA - Institute of Business Appraisers
- Over 15 years in public and private companies dealing with closely held companies for finance, mergers and acquisitions, buy/sell agreements, partnership/shareholder valuations and marital dissolution.

QUALIFICATIONS OF VALUATION ANALYST
RICHARD H. GASSNER, JD, MBA

Richard H. Gassner was born and raised in Lake Oswego, Oregon. He graduated from Portland State University with a Bachelors degree in Business and a Masters of Business Administration degree. Mr. Gassner is also a graduate of the College of Law at Willamette University. Mr. Gassner is a member in good standing of the Oregon State Bar Association.

Mr. Gassner recently served as Tax Director for PacifiCorp. He was Tax Specialist and Attorney for Portland General Corporation prior to joining PacifiCorp. Prior to Portland General Corporation Mr. Gassner was employed by Arthur Andersen & Co. Currently and for numerous years has assisted various Law firms and Certified Public Accounting firms as an adjunct consultant on complex corporate and individual tax matters.

Mr. Gassner is a Principal in International Business Associates, a business appraisal, sales, merger, acquisition and consulting firm; and a Principal in the Certified Public Accounting firm of McCoy & Company., CPA's, PC., where his practice includes business appraisals, mergers and acquisitions, tax and business consulting.

Mr. Gassner has testified before various regulatory bodies on complex tax matters. In addition, Mr. Gassner has extensive experience before the Appeals Division of the Internal Revenue Service where he has negotiated favorable resolution of numerous large and complex tax matters. Further, Mr. Gassner has testified as an expert witness on tax related issues.

Below is a list of organizations and accomplishments:

- BS – Portland State University
- MBA – Portland State University
- JD – Willamette University College of Law
- Oregon State Bar Association
- IBA – Institute of Business Appraisers
- Past President, Tax Executives Institute, Portland Chapter
- Over twenty-five years experience in public and private companies dealing with large corporations, closely held companies, partnerships, and other business entities. Experience includes corporate, individual, partnership and other flow-through tax issues. Mr. Gassner also is experienced in mergers and acquisitions, employee plan and benefit issues, and private foundations. Mr. Gassner has also been a trustee for numerous qualified settlement funds.

APPENDIX C: ASSUMPTIONS AND LIMITING CONDITIONS

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

The business valuation process requires certain assumptions and limiting conditions, many of which may have significant influence on the valuation conclusion.

1. This appraisal is based upon information obtained from sources that, with exceptions, if any, as noted herein, the appraiser believes to be reliable. However, the appraiser has not made a specific effort to confirm the validity of any of the information, and accordingly, its accuracy or completeness cannot be guaranteed.

2. McCoy & Company CPAs, P.C. may have reviewed portions of Shareholder Agreements or other legal documents with the intent of making a good faith estimate of the portions which could have a material impact on value and to provide the reader a general description of those portions. McCoy & Company CPAs, P.C. general descriptions should not be considered a substitute for the reader's review of the full text of the legal documents with the aid of a qualified attorney.

3. The appraiser is not required to give testimony in court or be in attendance during any hearings or depositions with reference to the matters stated, directly or indirectly, unless prior arrangements have been made with the appraiser.

4. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. The actual performance in any areas estimated, forecasted or projected will vary from the estimates, forecasts, and projections, and the variation may be material. While developed in good faith and as a non-advocate, McCoy & Company CPAs, P.C. does not express any form of assurance on the likelihood of achieving same or on the reasonableness of the used assumptions.

5. Possession of this report, or a copy hereof, does not carry with it the right of publication of all or any part of this report without the expressed written consent of the appraiser, and then only in the event of proper attribution.

6. Should you provide copies, or the right of review to others, said other parties may be assured that this report, while performed in the employ of our client, was prepared on an non-advocacy basis. Said other parties, however, are cautioned that McCoy & Company CPAs, P.C. has no duty to you, and therefore, no warranty is expressed or implied. Nothing in this report is intended to replace any third party's independent sole judgment, due diligence, or decision to seek legal, accounting, or valuation counsel. All such other parties will be considered "unintended users" under the terms of our engagement.

7. The opinion of value expressed within this appraisal report is applicable only to the type of value stated within the report, and then only the referenced definition of that type of value.

8. The fee for this report is for McCoy & Company CPAs, P.C.'s expressed opinion of value on the effective date, without warranties or guarantees as to the outcome of any litigation, negotiations with prospective purchasers, or contrary opinions of value as of the same date.

9. Any references to the value of intangible assets of the business are estimates of fair market value, based upon the use of those assets as elements in a going concern, and not used items valued for orderly or forced liquidation, unless specifically stated as such. Any comments regarding the condition and or state of the art of any assets are based upon the representations of management, or as specified within the report.

10. This appraisal, unless specifically stated otherwise herein, assumes there are neither litigious, regulatory compliance, nor similar problems, nor restriction nor other qualifications within the documents referred to above which could materially affect the value of the property being appraised. No representations or warranties are expressed or implied regarding such conditions and no consideration has been given to the possible effects of any such conditions.

11. The value estimate assumes there is no hazardous or environmentally unsafe material on or in the property that would cause a loss in value. McCoy & Company CPAs, P.C. is not qualified to detect hazardous or potentially hazardous materials which may affect the value of the property. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover or abate such conditions.

12. If the purpose and function of this appraisal report assumes a sale, the resulting value opinion assumes an absence of disruptive competition by the seller.

13. This report gives no consideration to any contingent assets or liabilities other than those specified, if any, within this report.

14. Neither our opinion of value nor this report constitutes advice for any specific action.

15. Unless specified to the contrary, financial restructuring or a public offering has not been considered. If material changes, other than those specified herein, occur in the ownership, financing or public offering opportunity, the impact upon value could be significant and the assumptions inherent in this valuation could be invalid.

16. In the event differences exist between the financial data contained in a primary year's financial statements and the amounts shown for the same item in the prior year column of the following year's financial statements, it is understood we will use the amounts reflected in the prior year column of the following year's statements.

This report is further subject to any other contingencies, assumptions and limiting conditions set out elsewhere within this report.

APPENDIX D: DEFINITION OF TERMS

INTERNATIONAL GLOSSARY OF BUSINESS
VALUATION TERMS
Published August 6, 2001

To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the below identified societies and organizations have adopted the definitions for the terms included in this glossary.

The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion, in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession.

If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner that materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement. This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined.

Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.

Adopted by:

American Institute of Certified Public Accountants
American Society of Appraisers
Canadian Institute of Chartered Business Valuators
National Association of Certified Valuation Analysts
The Institute of Business Appraisers

Adjusted Book Value Method – a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values (NOTE: In Canada on a going concern basis).

Adjusted Net Asset Method – see **Adjusted Book Value Method**.

Appraisal - see **Valuation**.

Appraisal Approach - see **Valuation Approach**.

Appraisal Date - see **Valuation Date**.

Appraisal Method - see **Valuation Method**.

Appraisal Procedure - see **Valuation Procedure**.

Arbitrage Pricing Theory – a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.

Asset (Asset-Based) Approach - a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.

Beta - a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.

Blockage Discount - an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Book Value – see **Net Book Value** .

Business - see **Business Enterprise**.

Business Enterprise - a commercial, industrial, service, or investment entity (or acombination thereof) pursuing an economic activity.

Business Risk – the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See **Financial Risk**.

Business Valuation - the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM) - a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.

Capitalization - a conversion of a single period of economic benefits into value.

Capitalization Factor - any multiple or divisor used to convert anticipated economic benefits of a single period into value.

Capitalization of Earnings Method – a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.

Capitalization Rate - any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.

Capital Structure - the composition of the invested capital of a business enterprise, the mix of debt and equity financing.

Cash Flow - cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.

Common Size Statements – financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.

Control - the power to direct the management and policies of a business enterprise.

Control Premium - an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control.

Cost Approach - a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

Cost of Capital - the expected rate of return that the market requires in order to attract funds to a particular investment.

Debt -Free - ***we discourage the use of this term.*** See **Invested Capital**.

Discount for Lack of Control - an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for Lack of Marketability - an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount for Lack of Voting Rights – an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.

Discount Rate - a rate of return used to convert a future monetary sum into present value.

Discounted Cash Flow Method – a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

Discounted Future Earnings Method – a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.

Economic Benefits - inflows such as revenues, net income, net cash flows, etc.

Economic Life - the period of time over which property may generate economic benefits.

Effective Date - see **Valuation Date**.

Enterprise - see **Business Enterprise**.

Equity – the owner's interest in property after deduction of all liabilities.

Equity Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.

Equity Risk Premium - a rate of return added to a risk- free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).

Excess Earnings - that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.

Excess Earnings Method - a specific way of determining a value indication of a business, business owne rship interest, or security determined as the sum of a) the value of the assets derived by capitalizing excess earnings and b) the value of the selected asset base. Also frequently used to value intangible assets. See **Excess Earnings**.

Fair Market Value - the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. {NOTE: In Canada, the term "price" should be replaced with the term "highest price"}

Fairness Opinion – an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.

Financial Risk – the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See **Business Risk**.

Forced Liquidation Value - liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.

Free Cash Flow – ***we discourage the use of this term.*** See **Net Cash Flow**.

Going Concern - an ongoing operating business enterprise.

Going Concern Value - the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.

Goodwill - that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

Goodwill Value - the value attributable to goodwill.

Guideline Public Company Method – a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business, and that are actively traded on a free and open market.

Income (Income -Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.

Intangible Assets - non-physical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts (as distinguished from physical assets) that grant rights and privileges, and have value for the owner.

Internal Rate of Return – a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.

Intrinsic Value – the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price or strike price of an option and the market value of the underlying security.

Invested Capital - the sum of equity and debt in a business enterprise. Debt is typically a) all interest bearing debt or b) long-term interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.

Invested Capital Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

Investment Risk - the degree of uncertainty as to the realization of expected returns.

Investment Value - the value to a particular investor based on individual investment requirements and expectations. {NOTE: in Canada, the term used is "Value to the Owner"}.

Key Person Discount - an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.

Levered Beta - the beta reflecting a capital structure that includes debt.

Limited Appraisal – the act or process of determining the value of a business, business ownership interest, security, or intangible asset with limitations in analyses, procedures, or scope.

Liquidity - the ability to quickly convert property to cash or pay a liability.

Liquidation Value - the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."

Majority Control - the degree of control provided by a majority position.

Majority Interest - an ownership interest greater than 50% of the voting interest in a business enterprise.

Market (Market-Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Market Capitalization of Equity – the share price of a publicly traded stock multiplied by the number of shares outstanding.

Market Capitalization of Invested Capital – the market capitalization of equity plus the market value of the debt component of invested capital.

Market Multiple – the market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).

Marketability - the ability to quickly convert property to cash at minimal cost.

Marketability Discount - see **Discount for Lack of Marketability**.

Merger and Acquisition Method – a method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.

Mid-Year Discounting – a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.

Minority Discount - a discount for lack of control applicable to a minority interest.
Minority Interest - an ownership interest less than 50% of the voting interest in a business enterprise.

Multiple - the inverse of the capitalization rate.

Net Book Value - with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.

Net Cash Flows – when the term is used, it should be supplemented by a qualifier. See **Equity Net Cash Flows** and **Invested Capital Net Cash Flows** .

Net Present Value – the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.

Net Tangible Asset Value - the value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities.

Non-Operating Assets - assets not necessary to ongoing operations of the business enterprise. {NOTE: in Canada, the term used is "Redundant Assets"}.

Normalized Earnings – economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Normalized Financial Statements – financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Orderly Liquidation Value - liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

Premise of Value - an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; e.g. going concern, liquidation.

Present Value – the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.

Portfolio Discount - an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.
Price/Earnings Multiple – the price of a share of stock divided by its earnings per share.

Rate of Return – an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Redundant Assets – see **Non-Operating Assets**.

Report Date – the date conclusions are transmitted to the client.

Replacement Cost New – the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New – the current cost of an identical new property.

Required Rate of Return – the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.

Residual Value – the value as of the end of the discrete projection period in a discounted future earnings model.

Return on Equity – the amount, expressed as a percentage, earned on a company's common equity for a given period.

Return on Investment – see **Return on Invested Capital** and **Return on Equity**.

Return on Invested Capital – the amount, expressed as a percentage, earned on a company's total capital for a given period.

Risk-Free Rate – the rate of return available in the market on an investment free of default risk.

Risk Premium – a rate of return added to a risk-free rate to reflect risk.

Rule of Thumb – a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.

Special Interest Purchasers – acquirers who believe they can enjoy postacquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.

Standard of Value – the identification of the type of value being used in a specific engagement; e.g. fair market value, fair value, investment value.

Sustaining Capital Reinvestment – the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk – the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.

Tangible Assets – physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).

Terminal Value . see **Residual Value** .

Transaction Method - see **Merger and Acquisition Method.**

Unlevered Beta – the beta reflecting a capital structure without debt.

Unsystematic Risk – the risk specific to an individual security that can be avoided through diversification.

Valuation – the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach – a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date – the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").

Valuation Method – within approaches, a specific way to determine value.

Valuation Procedure – the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio – a fraction in which a value or price serves as the numerator and financial, operating, or physical data serves as the denominator.

Value to the Owner – see **Investment Value** .

Voting Control – *de jure* control of a business enterprise.

Weighted Average Cos t of Capital (WACC) – the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

Fair Market Value Appraisal of the Fair Market Value of the

Earth Advantage Trademark & Related Tangible and Intangible Assets

Effective Date: March 5, 2005

Report Date: March 5, 2004

Prepared by:

McCOY & Company, PC

1800 Blankenship Road, Suite 430
West Linn, Oregon 97068
503-650-1040
www.mccoy-cpa.com

SUMMARY AND CONCLUSION

In the opinion of McCoy & Company CPAs, P.C. using the valuation methods described and subject to the assumptions and limiting conditions incorporated herein, the fair market value of the Tangible and Intangible Assets of Earth Advantage and the Energy Star licensing agreements, as of March 5, 2005 is as follows:
$634,000

APPRAISERS CERTIFICATION

This report has been prepared for the confidential use of Portland General Electric Company. It was prepared using standard valuation techniques and practices. Our analysis, opinions, and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, promulgated by The Appraisal Foundation and endorsed by the American Society of Appraisers. This valuation and report was also completed in accordance with Institute of Business Appraisers business appraisal standards for conducting and reporting on business valuations.

This report was prepared by Mark E. Foat and Richard H. Gassner. Qualification statements for these individuals appear at the end of this report. No individuals other than those identified provided significant professional assistance to the persons signing this report.

To the best of our knowledge and belief, the statements of fact contained in this report are true and correct. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are the unbiased professional analysis, opinions, and conclusions of McCoy & Company CPAs, P.C. (MCO) and the individuals involved in this appraisal. Our compensation is in no way contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of, this report. Neither McCoy & Company CPAs, P.C. nor the individuals involved in this appraisal have any present or contemplated future interest in the subject property, or any other interest, which might tend to prevent making a fair and unbiased appraisal.

Authorized reports will be signed by the appraiser. Copies which do not bear said signature are unauthorized and incomplete.

Mark E. Foat, CBA	Richard H. Gassner, JD, MBA
For: McCoy & Company CPAs, P.C.	For: McCoy & Company CPAs, P.C.

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1. INTRODUCTION

1.1 SUBJECT OF THE APPRAISAL

McCoy & Company CPAs, P.C. was retained to perform an appraisal of the Fair Market Value of the Earth Advantage Trademark and related tangible and intangible assets. In addition, we will include the value of the balance of a certain licensing agreement titled Energy Star. The value of each of these are determined as of March 5, 2005.

1.2 SUMMARY DESCRIPTION OF THE SUBJECT ASSETS

- The Earth Advantage Trademark and the related programs developed and specifications required in order to certify homes built as meeting the "Earth Advantage" requirements.

- Two Energy Star license agreements. These licensing agreement began in 2004 and will expire in 2005 and 2006. Energy Star is a government-backed program designed to help individuals and businesses protect the environment through improved energy efficiency. Portland General Electric provides services under these agreements (primarily contract labor) and receives funding from government agencies.

- The tangible assets owned by Earth Advantage. We have retained the services of Tapanen Group, Inc. to appraise said assets. A detailed listing is included in that appraisal report and is included as an Appendix to this report.

1.3 INTENDED USERS OF THE APPRAISAL REPORT

The intended users of this report are Management of Portland General Electric Company.

1.4 NATURE AND PURPOSE OF THE APPRAISAL

Portland General Electric Company has informed us of their intent to donate the subject assets to a not for profit entity. The purpose of this valuation is to establish the fair market value of these assets for financial statement preparation and income tax purposes.

1.5 DEFINITION OF FAIR MARKET VALUE

Fair market value is defined as: The price at which property would change hands between a hypothetical willing buyer and a hypothetical willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

The definition of fair market value for this appraisal includes the following assumptions:

- the hypothetical buyer is prudent but without synergistic benefit;
- the assets will continue as a going concern and not be liquidated;
- the hypothetical sale will be for cash; and
- the buyer and seller are ready and able as well as willing.

1.5.1 Value in Liquidation

Uniform Standards of Professional Appraisal Practice (USPAP 9-3) requires an appraiser to investigate whether the value would be greater in liquidation than continuing the operation in its current form.

Because the assets are intangible, their only value is in continued operations. Liquidation would result in nominal if any value.

1.6 UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL (USPAP) REQUIREMENTS

- *The nature and history of the business.*
    - This is discussed in Section 2.1.
- *Financial and economic conditions affecting the business enterprise, its industry and the general economy.*
    - This is discussed in Section 3.1.
- *Past results, current operations and future prospects of the business enterprise.*
    - This is discussed in Section 4.
- *Past sales of capital stock or other ownership interests in the business enterprise being appraised.*
    - This is discussed in Section 5.3
- *Sales of similar businesses or capital stock of publicly held similar businesses.*
    - *This is discussed in Section 5.3*
- *Prices, terms, and conditions affecting past sales of similar business equity*
    - *This is discussed in Section 5.3*
- *Economic benefit of intangible assets.*
    - *This is discussed throughout Section 5*

1.7 SOURCES OF INFORMATION

- Interviews with Company Management performed Mark E. Foat, CBA and Richard H. Gassner, JD, MBA.
- Projected financial information provided by Management
- Historical revenue and cost information provided by Management
- Licensing Agreements for similar assets
- The fair market value appraisal of tangible assets performed by the Tapanen Group.
- Valuing a Business and Valuing Small Businesses and Professional Practices, Shannon P. Pratt 4th edition.
- 1997 IBA Valuation of the Closely Held Business Advanced Theory and Applications.
- Federal Reserve Internet Site www.federalreserve.gov/releases .
- Other sources referenced throughout this report.

2. COMPANY BACKGROUND

Uniform Standards of Professional Appraisal Practice requires an appraiser to consider the *nature and history of the business*. This Section addresses this requirement.

2.1 NATURE AND HISTORY OF THE BUSINESS

The Earth Advantage name and logo are registered trade / service mark obtained by Portland General Electric Company legal department.

According to Portland General Electric Company, Earth Advantage establishes and maintains performance standards for building methods, materials and equipment systems by which homes can be measured against a baseline of local and national building and manufacturing codes and standard industry practices. This requires secondary research, expert analysis, professional documentation and quality presentation. The standard is composed of four areas of benefits to the homeowner, local community, and society: energy efficiency, indoor air quality, environmental responsibility, and resource efficiency. The standards behind the marks are important to maintaining the quality of the name. The standards represent the accumulated intellectual capital from the past ten years compiled in the form of written manuals, research documents, point sheets, testing procedures, etc.

Earth Advantage generates revenues from various sources. These include:

1. Builders who consider the Earth Advantage logo a marketing tool for the sale of newly constructed homes. Currently, there are over 120 existing builder / remodeling contractors which are contracted with Earth Advantage. Of these contractors, contracts range from one home to three hundred homes.

2. Sponsorship from equipment and product manufacturers. These manufacturers seek to have their products used by the 120 contracted Earth Advantage contractors.

3. Donations and grants from various governmental and non-profit agencies. This revenue source has not been exploited because the trademark is owned by a utility rather than a non-profit organization. It is anticipated that this will change when Earth Advantage is owned by a non-profit entity.

3. NATIONAL ECONOMIC AND INDUSTRY CONDITIONS

3.1 General Economic Conditions and Outlook

Uniform Standards of Professional Appraisal Practice requires a business appraiser to consider the economic outlook in general and the condition and outlook of the specific industry in particular. This Section addresses the economy as it relates to the subject business. Section 3.2 addresses the specific industry.

The economy more or less affects every business. If the demand for the product/service is elastic, the business will be impacted to a greater extent by economic changes than those businesses whose products are considered a necessity. The capacity of consumers to delay or cancel purchases determines the extent to which economic factors will influence each business enterprise.

The subject Company uses the Earth Advantage program to certify qualifying construction that meets specific standards. When the economy slows, the construction can be delayed or cancelled. This indicates Company program is elastic and is impacted to a greater extent by economic changes.

The following are discussions on the economy, at or near the time the date of valuation.

3.1.1 U.S. Economy

Advance fourth quarter data for 2004 from the U.S. Department of Commerce indicates that real (inflation adjusted) gross domestic product (GDP) - the output of goods and services produced by labor and property located in the U.S. - grew by an annualized rate of 3.1 percent. It should be noted that advance estimates are based on preliminary and incomplete data that is subject to further revision (upward or downward). Real GDP grew by 4.4 percent for the entire year (an advance figure) compared to 3.0 percent in 2003 and 1.9 percent in 2002. Major contributors to GDP growth throughout the year include personal consumption expenditures, equipment and software, exports, residential fixed investment, and federal government spending.[1]

Forecasters with the National Association for Business Economics (NABE) believe that economic expansion is back on track after a soft patch during the second quarter, according to their November survey. The group raised its forecast slightly for overall GDP growth in 2004 from 4.3 percent predicted in September to 4.4 percent in November. Their increased optimism was prompted by foreseeable growth in consumer spending, higher levels of business fixed investment, growth of inventories, and elevated residential investment. The outlook for 2005, on the other hand, was lowered once again from growth projections of 3.8 percent in May and 3.7 percent in September to 3.6 percent in the November survey. Panelists downgraded their forecast based on the increasing trade deficit. The recent surge in oil prices have affected the near-term forecast for inflation, however, core inflation (which excludes volatile oil and food prices) is expected to remain in check. Lower oil prices, reduced unemployment, and

[1] U.S. Department of Commerce, *News: Gross Domestic Product: Fourth Quarter 2004 (Advance)*, January 28, 2005.

continued economic expansion is anticipated for 2005. The consensus economic survey of professional forecasters from the membership of NABE has been performed on a quarterly basis since 1965.[2]

Economists with Wachovia Securities are in agreement with NABE forecasters with a growth forecast of 4.4 percent for this year, but are slightly more pessimistic than NABE regarding next year, projecting 3.2 percent growth in 2005. Wachovia analysts John Silvia, chief economist, and Mark Vitner, senior economist, see slower consumer spending, higher interest rates, and a deceleration in business spending on capital equipment ahead as the economy moves into the mid-phase cycle. According to them, it is during this time of the economic cycle that productivity slows and labor compensation rates rise (increasing the cost of labor). These factors feed into higher output prices and subsequently into inflation indicators. Growth in 2005 will still reflect the fundamentals. However, with no bubble in the equity market to fuel capital equipment purchases, spending is likely to be more restrained, yet consistent with overall economic growth and corporate cash flow.[3,4]

3.1.2 Consumer Spending

Personal consumption expenditures (PCE) make up two-thirds of the gross domestic product, so it is an important economic indicator. After hitting a soft patch in the second quarter, consumer spending improved in the third quarter with 5.1 percent growth followed by an increase of 4.6 percent in the fourth quarter. Consumption grew by an average of 3.8 percent in 2004 compared to 3.3 percent in 2003 and 3.1 percent in 2002.[5] While economists such as Ethan Harris, chief U.S. economist with Lehman Brothers, voiced concern at the beginning of the year that household spending might be more focused on reducing historically high debt levels instead new purchases,[6] consumers continued to defy that scenario with persistent spending on big ticket items (especially cars and trucks), driving the savings rate to a depression-era low of 0.4 percent in the third quarter.[7]

Housing starts rose to 1.95 million in 2004, an increase of 5.7 percent from the previous year and the highest level since 1978. David Seiders, chief economist for the National Association of Homebuilders projects a decline of approximately 3.6 percent in 2005, to 1.88 million. The rate on 30-year fixed-rate mortgages is expected to rise from its current level of 5.75 percent to 6.75 by the end of 2005. While higher rates will make monthly payments steeper, industry economists suggest that wage and job growth next year will offset the cost of borrowing. With rising interest rates and an increase in the supply of homes, some analysts anticipate a cooling trend. Nevertheless, expectations for such a trend were expressed last year and proven wrong.[8] Lawrence Yun, a senior economist

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[2] *NABE Outlook*, November 22, 2004.
[3] *Monthly Economic Outlook*, Wachovia Securities, October 15, 2004.
[4] *Monthly Economic Outlook*, Wachovia Securities, December 20, 2004.
[5] U.S. Department of Commerce, *News: Gross Domestic Product: Fourth Quarter 2004 (Advance)*, January 28, 2005.
[6] "Jobless Recovery? Not in 2004, Economists Say," *Wall Street Journal*, January 2, 2004.
[7] "Economy Grows at 3.7% Rate in 3Q," *Washington Post*, October 29, 2004.
[8] "Home Construction Continues at Robust Pace," *Wall Street Journal*, January 20, 2005.

with the National Association of Realtors, believes that home-buying activity will drop somewhat when mortgage rates approach the 7 percent mark.[9]

Lynn Franco, director of The Conference Board's Consumer Research Center, reports that consumers are ending the year on an upbeat note and expect the economy to continue expansion through the first half of 2005.[10] Consumer confidence and consumer sentiment indexes have moved up and down from month to month; however, consumers have kept spending.[11]

3.1.3 Labor Market

Since the first quarter of 2001, both consumers and economists have been concerned about the number of layoffs announced by Fortune 500 companies in an attempt to stop declining profits.[12] The unemployment rate was at 5.4 percent in December 2004, relatively unchanged since the beginning of the year and down from a peak of 6.3 percent in June 2003. The active housing market continued to support job gains in construction and related financial activities throughout the year. For the first time since 1997, the manufacturing sector experienced an overall gain. Approximately 76,000 factory jobs were added in 2004, although most of the growth occurred earlier in the year. There were 2.2 million new jobs created in 2004.[13]

When asked why employment has not increased more during the current economic expansion, NABE panelists answered with the same set of factors specified a year ago; namely, productivity gains, increased technology, inadequate demand, and cautious CEOs. The group is projecting employment growth of 1.7 percent in 2005, which would translate into 2.2 million new payroll positions next year.[14,15]

3.1.4 Inflation

The consumer price index (CPI), which is a measure of the average change in prices of goods and services over time, increased by a seasonally adjusted annual rate (SAAR) of 3.0 percent in the fourth quarter. CPI averaged 3.3 percent for 2004 compared to increases of just 1.9 percent in 2003 and 2.4 percent in 2002. The unpredictable energy index rose by an average of 16.6 percent in 2004, the largest annual increase since an 18.1 percent rise in 1990.[16]

Core inflation, the measure of CPI exclusive of the more volatile food and energy items, was more subdued with an annualized rise of 2.0 percent in the fourth quarter and more aligned with inflation rates for 2000, 2001, and 2002. Core inflation has ranged between roughly 2 percent and 2.7 percent from 1997 to 2002.[17] According to economists with

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[9] "Home Sales Still Sizzle…," *The Washington Post*, July 28, 2004.
[10] The Conference Board, Press release, December 28, 2004. Available: www.conference-board.org.
[11] "US Consumer Confidence Slips in Sept...," *Boston Globe*, October 1, 2003.
[12] "US Economy Grows Faster Than Expected...," *Boston Globe*, April 28, 2001.
[13] Bureau of Labor Statistics, Statement of Kathleen Utgoff, Commissioner, January 7, 2005.
[14] *NABE Outlook*, October 4, 2004.
[15] *NABE Outlook*, November 22, 2004.
[16] U.S. Department of Labor, *News: Consumer Price Index: December 2004*, January 19, 2005.
[17] U.S. Department of Labor, *News: Consumer Price Index: December 2004*, January 19, 2005.

Wachovia Securities, core inflation and employment are two of the Federal Reserve's main "guideposts." The expectation is for inflation to rise, but only moderately, with no inflationary spikes of the 1970s anticipated.[18]

The economic panelists who participate in the biannual *Livingston Survey* expect the consumer price index to hold relatively steady, averaging 2.5 percent a year over the next ten years, a projection that has remained unchanged since December 2001.[19]

3.1.5 Interest Rates

After lowering rates 13 times between January 2001 and June 2003, the Federal Reserve finally raised its target for the federal funds rate (the overnight rate banks charge each other) by a quarter point in each of their June, August, September, November, and December meetings, bringing the rate to 2.25 percent. The gradual movement was anticipated and monetary policy remains "accommodative." The Fed considers underlying inflation to be relative low despite the recent energy price spikes and plans to remove the policy of accommodation at a "measured" pace.[20]

Lower interest rates encourage borrowing, and result in additional consumer spending and investment, higher imports, overall elevated economic activity, and possibly faster inflation. Higher interest rates, of course, achieve just the opposite.[21]

3.1.6 Financial Markets

The end of the three-year bear market was called during the second quarter of 2003.[22] By the end of that year, low interest rates, tax cuts, and a return to healthy profit growth combined to boost the stock market into its first up-year since 1999. Technology stocks lead the rebound as investors gambled on an economic recovery that would renew spending by companies and individuals on next generation computer hardware and software.[23] The close of 2004 brought another year of gains for the stock market and analysts expect that 2005 will make it three years in a row. Although that is the consensus, it is by no means a sure thing. Any sudden uptick in inflation and interest rates, or faltering corporate profits could send stocks into retreat. After rising by 25 percent in 2003, the Dow Jones Industrial Average gained 3.15 percent in 2004. The Standard & Poor's 500 stock index and the NASDAQ finished the year with gains of 8.99 percent and 8.59 percent, respectively. The main reason for optimism regarding solid, but not spectacular, performance in 2005 is that interest rates have remained low despite the five increases in the target rate by the Fed since June. While some analysts are preparing clients for a sharp pullback in the latter half of 2005, others suggest that corporate profits will outpace expectations in 2005 as they did in 2004, thereby providing incentive for continued stock gains.[24]

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[18] *Monthly Economic Outlook*, Wachovia Securities, April 8, 2004.
[19] *Livingston Survey: December 2004*, December 21, 2004.
[20] Federal Reserve Board, Press releases. Available: www.federalreserve.gov.
[21] *The Economist Guide to Economic Indicators*, Wiley & Sons, Inc. Pg. 171.
[22] "Bankers Signal an End to the Bear Market...," *Financial Times*, June 29, 2003.
[23] "Market Caps Off Sustained Rebound...," *The Washington Post*, January 1, 2004.
[24] "Year-End Review of Markets & Finance 2004; Bull Pedals Hard in Uphill Climb," *Wall Street Journal*, January 3, 2005.

After being quelled in 2000, a victim of recession, corporate scandals, and a sluggish stock market, merger and acquisition activity picked up significant steam in the fourth quarter of 2004. The comeback has been fueled by an expanding economy, strong corporate profits, higher stock prices, and readily available cash for deals. Other factors include stricter governance standards that have forced some poorly performing CEOs and boards to entertain unwanted takeover bids, as well as a repeat of the trend of the 1990s when deals spawned more deals resulting in the consolidation of entire industries. The steel, telecommunications, pharmaceutical, banking, and software industries are particularly active at present. Although subdued when compared to an average annual deal volume of $1.6 trillion between 1998 and 2000, volume in 2004 rose by 49 percent over 2003 to reach $809 billion. Lehman Brothers and Bank of America executives expect a further increase of 15 to 20 percent in 2005.[25]

By contrast, when the stock market is volatile, it becomes difficult for businesses to agree on a value for their companies. A "roller-coaster" market will often induce companies to focus on their own businesses rather than participate in mergers and acquisitions.[26]

3.1.7 Industry

When surveyed about fourth quarter business conditions within their industries during the second week of December 2004, 104 of the more than 2,500 NABE members reported slightly higher demand for goods and services, robust employment (however, hiring over the next six months is expected to soften), strong capital spending, and slightly lower material costs. About one-third (35 percent) of respondents experienced rising profit margins, down slightly from a recent peak of 37 percent in the July survey, the largest percentage reported since the fourth quarter of 1987. Survey panelists also anticipate a modest rise in prices received in the first quarter of next year. More than three quarters of the panelists (80 percent) predict the economy will grow by 2 to 4 percent in the first half of 2005, reflecting expectations for "trend" growth (3.0 to 3.5 percent).[27]

3.1.8 Forecast

Economists caution that a recovery stimulated by deficit spending, rising consumer debt, and record-breaking mortgage growth may not hold up.[28] Continued economic expansion may also be put at risk through the possible tightening of monetary policy (still classified as "accommodative") by the Federal Reserve to head off inflation, which would raise interest rates and hurt consumers already burdened by high debt loads.[29] Businesses would, in turn, become reluctant to spend and hire.[30]

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[25] "Shake, Rattle, and Merger," *Business Week*, January 10, 2005.
[26] "Year-End Review of Markets & Finance 2001;Volatile US Markets," *Wall Street Journal*, January 2, 2002.
[27] *NABE Industry Survey*, January 24, 2005.
[28] "Growth Solid in Quarter...," *Boston Globe*, April 30, 2004.
[29] "New Year Heralds Good Fiscal Tidings...," *Christian Science Monitor*, December 31, 2003.
[30] "Ahead of the Tape," *Wall Street Journal*, December 30, 2003.

Economists with the National Association for Business Economics, as well as those who participate in the biannual *Livingston Survey* have revised their growth projections downward for 2005. Both slightly lowered their projected increase in after-tax corporate profits next year to 12.9 percent and 12.3 percent, respectively. While overall inflation may rise in 2005, core inflation is expected to decline slightly and remain in check. Short-term and long-term interest rates are also expected to rise through 2006. The unemployment rate is expected to decline gradually over the next two years (through 2006). Both forecasting groups anticipate stock price increases next year with estimated gains of between 10 and 20 percent.[31,32]

Analysts with Wachovia Securities share the same expectations for tempered growth as the economy enters the mid-phase of the business cycle. It is typical at this point in the business cycle for labor compensation rates to rise, increasing the overall cost of labor, resulting in higher output prices, and moderately increased inflation. The Federal Reserve is expected to continue to raise the federal funds rate as it moves from an accommodative monetary policy toward a neutral one.[33]

Future policy-related issues that would affect growth forecasts going forward include making the 2001 – 2003 tax cuts permanent; privatizing part of Social Security; and pressuring China on trade and currency issues.[34]

The two tables below include a range of short-term and long-term growth rates and a detailed outlook for the U.S. economy from various forecasting groups.

Table 3-1
Earth Advantage
Real Domestic Product Forecasts

Annual Averages (Median Forecast Reported)	2004	2005	10-Year
National Association for Business Economics (NABE)	4.4	3.6	
Livingston Survey (biannually, Philadelphia Fed)	4.4	3.6	3.2
Wachovia Securities (formerly First Union)	4.4	3.2	

Sources: National Association for Business Economics: panel of 32 professional forecasters (November 22, 2004). Livingston Survey: panel of 23 forecasters surveyed by the Philadelphia Federal Reserve (December 21, 2004). Wachovia Securities: John Silvia – chief economist, Mark Vitner – senior economist (December 20, 2004).

[31] *NABE Outlook*, November 22, 2004.
[32] *Livingston Survey: December*, December 21, 2004.
[33] *Monthly Economic Outlook*, Wachovia Securities, October 15, 2004.
[34] *NABE Outlook*, November 22, 2004.

Table 3-2
Earth Advantage
Detailed U.S. Outlook

Annual Averages (Median Forecast Reported) *(Median Forecast Reported)*	2003 Actual	2004 Forecast	2005 Forecast
Real GDP %	3	4.4	3.6
Personal consumption %	3.3	3.6	3.3
Business fixed investment %	3.3	10.2	9.1
Residential investment %	8.8	9.7	0.3
Change in business inventories (billions $)	-0.8	50	45
Corporate profits (after tax) %	11.4	12.9	11
Unemployment (civilian) %	6	5.5	5.2
Industrial production %	0.3	4.5	4.5
Capacity utilization rate, mfg.	72.8	76	78.1
Housing starts (millions)	1.9	1.9	1.8
Consumer price index (CPI) %	2.3	2.7	2.4
Treasury bonds (10 year)%	4.02	4.3	4.8

Source: ***NABE Outlook*, November 22, 2004.**

3.1.9 International Economy

In the latest report on the *World Economic Outlook*, the International Monetary Fund (IMF) lowered its global growth forecast to 4.3 percent for 2005, largely due to the effects of higher oil prices. The global recovery that took hold during the spring has matured over the summer and become more widespread. According to IMF forecasters, it has been the fastest growth in nearly 30 years. Although Japan has experienced some recent softness, their economy is still growing. However, it is not enough for them to simply emerge from a decade long period of stagnation, they must recover some of their past vitality and address issues brought about by a rapidly aging population. China is picking up momentum again, however, forecasters believe that it is in the country's best interest for the economy to land at some time. India will need to focus on improving infrastructure while bringing overextended government budgets back into balance. Latin America is benefiting from Brazil's reforms and domestic demand in the region is rising on the strength of improving confidence. To maintain growth, reforms will need to continue in order to prevent adverse debt dynamics from derailing the economy. Below are projected growth rates for selected countries and regions for 2005.

- Euro 2.2%
- Japan 2.3%
- China 7.5%
- India 6.7%
- Middle East 4.8%
- Commonwealth of Independent States (CIS) 6.6%

Risks going forward include higher oil prices and inflation. Monetary authorities must be guarded. While the risk of runaway inflation in the U.S. is low, central banks in regions such as Latin America, with their recent history of high inflation, will have less flexibility to deal with inflation. If forced to raise interest rates quickly, overextended housing markets in some developed countries could be affected, while some emerging markets with significant public and external debt levels could face difficulties. The IMF suggests that, while the downside risks have increased, global growth is still above trend. Countries and regions should use this time to revise policies put in place to ensure recovery and make domestic reform more of a priority, thereby helping to reduce global imbalances.[35]

3.2 INDUSTRY CONDITIONS AND OUTLOOK

Uniform Standards of Professional Appraisal Practice requires a business appraiser to consider the economic outlook in general and the condition and outlook of the specific industry in particular. This Section addresses the specific industry. Section 3.1 (above) addresses the economy.

The General Construction Industry. The overall industry key to this appraisal is the construction industry in general. This broad industry is one of the most significant industries in the United States. It includes:

Architectural and Engineering Services
Commercial and Heavy Construction
Manufactured Buildings
Residential Construction
Specialty Contracting

The construction industry is a significant aspect of the U.S. economy. Various components are frequently noted as indicators of economic trends, e.g., housing starts. The industry as a whole is a major provider of jobs and resources in the U.S.[36]

The specific industry key to this appraisal is a subset of the overall construction industry. Specifically, the industry segment is the so called "Green Building" industry. As a subset of the vast construction industry, it permeates or is part of virtually all aspects of the total industry. Accordingly, its future and prospects are in part the same as the overall

[35] *World Economic Outlook*, International Monetary Fund. Transcript of press conference, September 29, 2004.
[36] www.Hoovers.com

construction industry. However, due to the unique nature of the industry segment, its future and prospects are important and significant in their own right. Accordingly, this analysis will focus on this unique industry segment.

The Green Building Industry. Green building is defined in many ways, but generally means the resource-efficient design, construction, and operation of homes and buildings. It represents an approach to both building and marketing homes and buildings that highlights environmental and energy efficiency both in an outside of the home or building. Most of the literature in this area focuses on residential construction. However, as discussed later, it is clear that green building is making an impact in almost all aspects of construction.[37]

The trend of the industry expansion is exponential. According to Toolbase, in 1991 there was one local program in the U.S. giving market recognition to green builders. In 2002, there were twenty nationwide programs. In 1990 through 2001, there were only 18,887 green built homes constructed. In 2002 alone, there were 13,224 green home built.[38] A recent count shows that the number of green built programs nationally is now over 40 versus 20 in 2002..

As noted, the trend of green building is strong. As discussed in the State of Green Building by Jennifer Roberts[39], a significant survey was initiated in 2000 that served as a benchmark for the industry. In 2001, an update of the benchmark showed significant growth and support for green building. For example, consumers were willing to pay significantly more for up front energy and environmental upgrades than just a year before. Nine of ten consumers cited energy efficiency as extremely or very important. In addition, consumer were willing to wait longer to recoup the extra investment for energy savings. On the builder side, in just one year, builder's participation rose significantly.

The National Association of Home Builders (NAHB) is the industry association for home builders. Founded in 1942, it is a federation of more that 800 state and local associations of home builders and is a significant lobbying and political force for home builders. About one third of NAHB 220,000 members are homebuilders. The other members are those in related industries like mortgage finance, etc. See NAHB.com

Since the NAHB is such a strong force in the building industry, their position on green building is significant. According to an article in BuildingGreen.com, February, 2005, the NAHB rolled out green building guidelines at the International Builder's Show in Orlando, Florida in January, 2005. According to the article, the NAHB green building guidelines are nothing short of remarkable given NAHB's past aversion to even voluntary programs.[40] This trend by such a powerful industry association is also shown by NAHB's own Green Building Conference in March 2005 in Atlanta.[41] The change in trend is

[37] *www.Toolbase.org/Green Building/May 2003*
[38] *Ibid.*
[39] *www.housingzone.com/gree*
[40] www.buildinggreen.com
[41] www.nahb.com/news

further shown by NAHB promotional materials that state "Green building, one of the most significant developments in home building in the past three decades, is nothing less than a quiet revolution in the way that new homes and communities are planned and constructed."[42]Finally, an NAHB press release in March of 2004, states that the NAHB unveiled key players in Model Green Home Building Guidelines. Clearly, the major homebuilding association has joined the green building trend with significant support and influence.

Further evidence of the expanding green building industry is illustrated by a recent article in Environmental Design & Construction by Kristin Raff Douglas titled "Green Building Goes Mainstream." The article notes that at a recent green building conference, the overwhelming sense was that the green building industry is moving rapidly forward as demonstrated by the sheer number of projects of all kinds (office buildings, stores, hotels, libraries, post offices, embassies, zoos, and residential construction) and the diverse industry sectors embracing green building (federal, municipal, sate, and commercial entities).[43] The mainstream concept was also prominently noted in a recent article in ToolBase, the technical information source for the NAHB.[44] Further evidence of consumer support is shown in a recent article also published in ToolBase.[45]

Even though the NAHB is clearly supporting green building that fits with the standards it supports, the NAHB came out recently attacking standards and requirements of the International Energy Conservation Code saying that the requirements were too expensive for the nominal energy savings. See www.nahb.org/news/2/24/05. Thus even though many are supporting green building, any standard set of rules and requirements is likely far in the future.

The central discussion thus far has focused primarily on residential housing. It is significant to note that green building is not limited to that construction sector.

Green Commercial Building. A December 2004 article in the Economist, titled "The Rise of the Green Building" indicates the trend The article notes that due to design and technology, a new building in London is expected to use up to 50% less energy. The article also notes that commercial buildings are typically high energy users and that building green can mean significant savings. Building green is not only promoting savings, but is also showing it reduces environmental impact and provides better places for people to work.[46] A recent article in Buildings notes that the number of LEED registered buildings will grow more than five-fold over the next five years. (LEED - Leadership in Energy and Environmental Design)[47]Broad based support is also shown by the announcement of the "first ever national conference on green building for engineers" co-hosted by the Cleveland Building Coalition in May, 2005.[48] The ever expanding web

[42] www.toolbase.org/articles
[43] www.edcmag.com/cda
[44] www.toolbase.org/green Green Building Trends: Mainstream Builders See Value of Green Building.
[45] www.toolbase.org/Volume 122, 2/7/05
[46] www.economist.com
[47] www.building.com/articles
[48] www.hpac.com

of influence is also shown by a recent article in Forbes. The article notes that Low-Income Housing builder's are also using green building. More that 100,000 affordable housing units are built each year using federal tax credits as support. The U.S. Environmental Protection Agency has been pushing green building practices as part of the federally supported programs.[49]

In addition to other various organizations taking notice of green building, the National Association of Realtors is also now active in green building. As realtors become more involved understanding and promoting green building, they may also further fuel the mainstream expansion of the green building industry, particularly the residential component.

3.2.1 Implications for the Earth Advantage

Green Building Industry growth is partially a function of growth and change in the general construction industry that it supports and of which it is a part . Given strong indications for growth in general and change due to market forces, the forecast for the green building industry is positive. In addition, the growth trend and forecast for the industry itself, apart from the general industry, is very positive. With greater emphasis on green building to attract and keep customers, more builders will embrace green building programs, thus business prospects are positive for the subject entity.

[49] www.forbes.com/business/2004

March 18, 2005

Via E-Filing and US Mail

Public Utility Commission of Oregon
550 Capitol St., NE, No. 215
P.O. Box 2148
Salem, OR 97308-2148

Attention: **Commission Filing Center**:

Re: **UP-220 – PGE Exhibit I to Application, Tracking No. 159**

On February 25, 2005, PGE submitted an application to contribute certain property to Earth Advantage, Inc., a non-affiliated, independent, non-profit company. In Section 1(h) of the application, we noted that the Earth Advantage Asset Appraisal would be submitted as part of Exhibit I after it was completed on February 28, 2005. Enclosed is a copy of the "Fair Market Value Appraisal of the Fair Market Value of the Earth Advantage Trademark and Related Tangible and Intangible Assets" as prepared by McCoy and Company CPAs, P.C. This document should be included as part of Exhibit I to PGE's application in Docket UP-220.

If you have any questions or if I can provide further information to assist you in your review, please call me at (503) 464-7580 or Alex Tooman at (503) 464-7623. Please direct all formal correspondence and requests to the following e-mail address pge.opuc.filings@pgn.com.

Sincerely,

/s/ Patrick G. Hager

Patrick G. Hager
Manager, Regulatory Affairs

Encls.

cc: Barbara Halle
Steve McCarrel
Dorothy Sosnowski

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