

OFFERING MEMORANDUM - STOCKTON GATEWAY



McDonald's & Union 76 Co-Branded



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PROPERTY SUMMARY

Tenant(s)	McDonald's and Union 76
Address	310 - 322 S. Center Street, Stockton, CA 95203
Building Square Footage	6,342±
Land Square Footage	61,512±
Year Built	2001
Parking	45
Building Construction	Wood/Stucco
Parking Lot Construction	Concrete
APN #	149-061-11 149-061-12
Property Access Points	Three (3) - El Dorado Street, Center Street and Lafayette Street
# of Drive Thru Lanes	Two (Double Drive-Thru)
Pylon Signage	70 foot pylon sign



PROPERTY OVERVIEW

Stockton Gateway

Stockton Gateway is comprised of a two tenant, 6,342± square foot building that is situated on 61,512± square feet of land. The site is home to two of the nations most notable tenants, McDonald's and Union 76.

Located in one of Stockton's most highly traveled corridors, the site has excellent California State Route 4 visibility and is nestled between the highway's on-ramp and off-ramp and enjoys three ingress/egress access points on three different roads. With approximately 102,000 Average Daily Traffic counts along Highway 4, the Stockton Gateway is a highly visited site.

Stockton Gateway was built in 2001 using Spanish-mission design. For longevity and ease of maintenance, the parking lot was constructed of 100% concrete.

Highlights

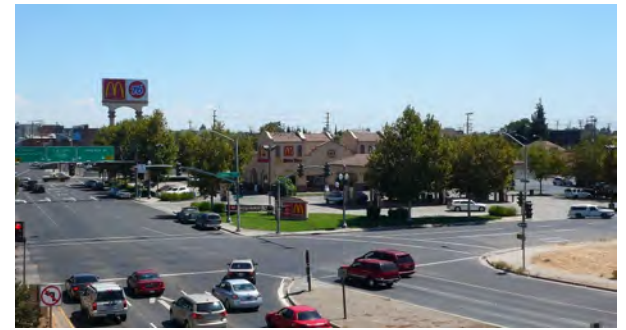
- *Excellent California State Route 4 visibility*
- *McDonald's has 15% rental increases*
- *Nestled between CA State Route 4's off-ramp and on-ramp*
- *The site enjoys three separate entrances/exits along three different streets*
- *70 foot pylon sign that is visible from the Interstate 5*
- *McDonald's has a double drive-thru*
- *Approximately 102,000 Average Daily Traffic counts along CA State Route 4*
- *CA State Route 4 is a highly traveled route for destinations as the Sierra Nevada mountain range, Yosemite National Forest, Discovery Bay, several East Bay communities, travelers heading into the arteries of the Delta, and is a prime connector of Interstate 5 and CA State Route 99*
- *Includes a corporately guaranteed McDonald's lease*
- *Parking Lot is 100% concrete construction*
- *Located in the heart of Stockton's downtown corridor*
- *Situated within a short distance to such notable downtown attractions as The Waterfront, Weber Point Event Center, the Stockton Arena, The Stockton Ballpark, the Bob Hope Theatre*



PROPERTY PHOTOS

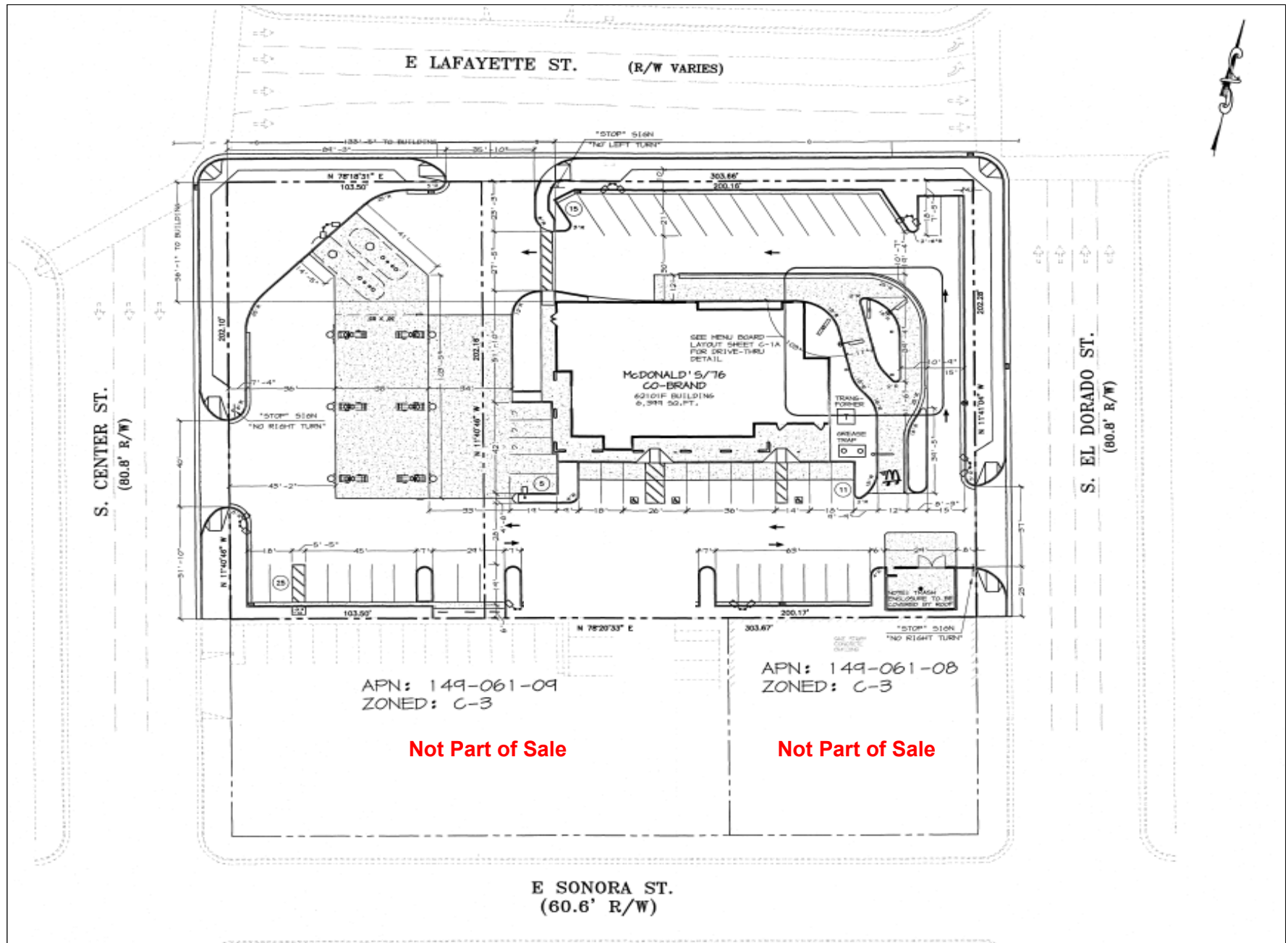


PROPERTY PHOTOS





SITE PLAN



FINANCIAL OVERVIEW

Location

310 - 322 S. Center Street
 Stockton, CA 95203

Property Information

Price: \$2,700,000
 Building Square Footage: 6,342±
 Price per Sq. Ft.: \$425.73
 CAP Rate: 5.13%
 Proforma CAP Rate*: 5.55%
 Lot Sq. Footage: 61,512±
 Year Built: 2001
 Type of Ownership: Fee Simple
 APN #: 149-061-11
 149-061-12

Current Rent Roll

Tenant	Monthly Rents	Annual Rents
McDonald's	\$4,628.75	\$55,545.00
Union 76	\$7,140.00	\$85,680.00
Total	\$11,768.75	\$141,225.00

Income / Expense

Income	\$11,768.75	\$141,225.00
Scheduled Gross Income		
Expense		
Less: 2.0% *	\$235.38	\$2,824.50
Net Operating Income	\$11,533.37	\$138,400.50

** 2.0% of the income is set aside as reserves for the Landlord's responsibility for the Roof and Structure for 76's portion of the building (41%). McDonald's is 100% responsible for their portion of expenses (59%), including Roof and Structure.*

*** Proforma cap rate is based on the following rental increases:**

- **McDonald's scheduled 15% rental increase in June of 2016**
- **76 scheduled annual CPI increase of at least 2.0% for 2015 and 2016**



TENANT PROFILE



Tenant Synopsis

McDonald's is the leading global foodservice retailer with more than 34,000 local restaurants serving approximately 69 million people in 118 countries each day. The popular chain is well known for its Big Macs, Quarter Pounders, French Fries and Chicken McNuggets. Most of the outlets are free-standing units offering dine-in and drive-thru service, but McDonald's also has many eateries located in airports, retail areas, and other high-traffic locations.

McDonald's currently franchises approximately 80% of their locations and employs over 1.8 million people.

Tenant Information

Tenant:	McDonald's Corp
Parent Company:	McDonald's Corp.
Number of Locations:	34,000+
Stock Exchange:	NYSE
Ticker Symbol:	MCD
Credit Rating:	A
Credit Rating Agency:	S&P
Total Revenue:	\$27.5 billion in 2012
Company Net Worth:	\$15.29 billion in 2012
Headquarters:	Oak Brook, IL
Website:	www.mcdonalds.com

Tenant Highlights

- 2011 Most Innovated Food Companies - Fast Company
- 2012 #4 Most Valuable Global Brand - Brand Z
- 2012 #7 World's Most Powerful Brand - Forbes
- 2012 #7 Best Global Brand - Interbrand
- 2012 #11 Most Admired Company in the World - Fortune
- 2012 #3 Most Respected Company - Barron's

**Delicious starts
right here.**



TENANT PROFILE



Tenant Synopsis

76 (formerly Union 76) is a chain of gas stations in the United States. The 76 brand is owned by Phillips 66 Company. Today, 76, Conoco and Phillips 66 market their brand of gasoline under the brand name PROclean. The 76 ball sign has become iconic in the United States. The 76 name was introduced in 1932 and referred to the 1776 United States Declaration of Independence, and was also the octane rating of the gasoline in 1932.

The tenant, Convenience Retailers, LLC operates the 76 brand at the Stockton Gateway location. Convenience Retailers, LLC is owned by Pacific Convenience & Fuels, LLC. Pacific Convenience Retailers, LLC owns and operates over 300 gas and convenience stores in California, Colorado, Oregon, Texas and Washington. They work with leading brands like 76, Conoco, Circle K and Chevron.

Tenant Information

Tenant:	Convenience Retailers, LLC
Parent Company:	Pacific Convenience & Fuels, LLC
Number of Locations:	300+
Stock Exchange:	Private
Ticker Symbol:	Private
Credit Rating:	Private
Credit Rating Agency:	Private
Total Revenue:	Upon Request
Company Net Worth:	Upon Request
Headquarters:	Pleasanton, CA
Website:	Www.pcandf.com

Tenant Highlights

- Nationally recognizable fuel brand
- Strong, experienced franchisee
- Franchisee operates over 300 locations
- Excellent Highway 4 visibility
- Locations throughout California, Colorado, Texas, Oregon and Washington
- Headquartered in Pleasanton, California

LEASE ABSTRACT



Rent Roll

Tenant	Sq. Ft.	Lease Year	Monthly Rents	Annual Rents	Option Periods	Monthly Rents	Annual Rents
McDonald's	3,780	Lease Years 11 - 15	\$4,628.75	\$55,545.00	Lease Years 21 - 25	\$6,653.75	\$79,845.00
		Lease Years 16 - 20	\$5,323.00	\$63,876.00	Lease Years 26 - 30	\$7,651.81	\$91,821.72
					Lease Years 31 - 35	\$8,799.58	\$105,594.46
					Lease Years 36 - 40	\$10,199.52	\$122,394.24

Lease Abstract

Tenant: McDonald's Corp.
 Lease Guarantor: McDonald's Corp.
 Lease Type: NNN Ground Lease
 Lease Commencement: 6/27/2001
 Lease Expiration: 6/26/2021
 Original Lease Term: 20 Years
 Lease Term Remaining: 8 Years
 Roof & Structure: Tenant
 Rental Increases: 15% Every 5 Years
 Options: Four, 5-Year



LEASE ABSTRACT



Rent Roll

Tenant	Sq. Ft.	Lease Year	Monthly Rents	Annual Rents	Option Periods
Union 76 (Convenience Retailers, LLC)	2,562	Lease Year 2	\$7,140.00	\$85,680.00	Three, 5-year

Lease Abstract

Tenant:	Union 76
Lease Guarantor:	Convenience Retailers, LLC
Lease Type:	NNN*
Lease Commencement:	2/15/2012
Lease Expiration:	2/28/2022
Original Lease Term:	10 Years
Lease Term Remaining:	9 Years
Roof & Structure:	Landlord
Rental Increases:	Annual CPI
Options:	Three, 5-Year
First Right of Refusal:	None



* Landlord is responsible for 41% of the structural integrity of the building.

STOCKTON GATEWAY DETAILS

Stockton Gateway

The Stockton Gateway is located adjacent to CA State Route 4 (Highway 4) and at the primary entrance to downtown Stockton. Stockton is the County Seat of San Joaquin County and the downtown is the major employment hub for City, County and State government. Additionally, downtown employment includes financial, legal and professional offices.

Stockton Gateway was developed as a private sector redevelopment project. The Spanish-mission designed, co-brand facility became the cornerstone for heralding downtown redevelopment. New development has included the City Center Cineplex (16 screens) and retail space which totals approximately 65,000 square feet, a 12,000± seat Stockton Arena Event Center, a new Stockton Ports Baseball Park, a 221 room Waterfront Hotel, a remodel of the 2,042 seat Bob Hope Fox Theatre, and a new 66 slip marina with 1,400 transient boat docks.

▶ CA State Route 4 Frontage

With 300 feet of State Route 4 frontage, Stockton Gateway enjoys a site with excellent visibility from the highly traveled State Route 4.

▶ On-Ramp / Off-Ramp

The 300 feet of frontage is nestled right in the middle of the Off Ramp and On Ramp of State Route 4 at the El Dorado Street/Center Street exit, making the site extremely simplistic to exit the highway and enter the highway.

▶ Deck Visibility

From the deck of State Route 4, the Stockton Gateway is in perfect view of all travelers travelling along the State Route 4.

▶ 70' Pylon Sign

Along with the 300 feet of frontage, convenient off-ramp / on-ramp location, and State Route 4 deck visibility, the Stockton Gateway 70' pylon signage provide the site with excellent pull.

▶ Three Access Points

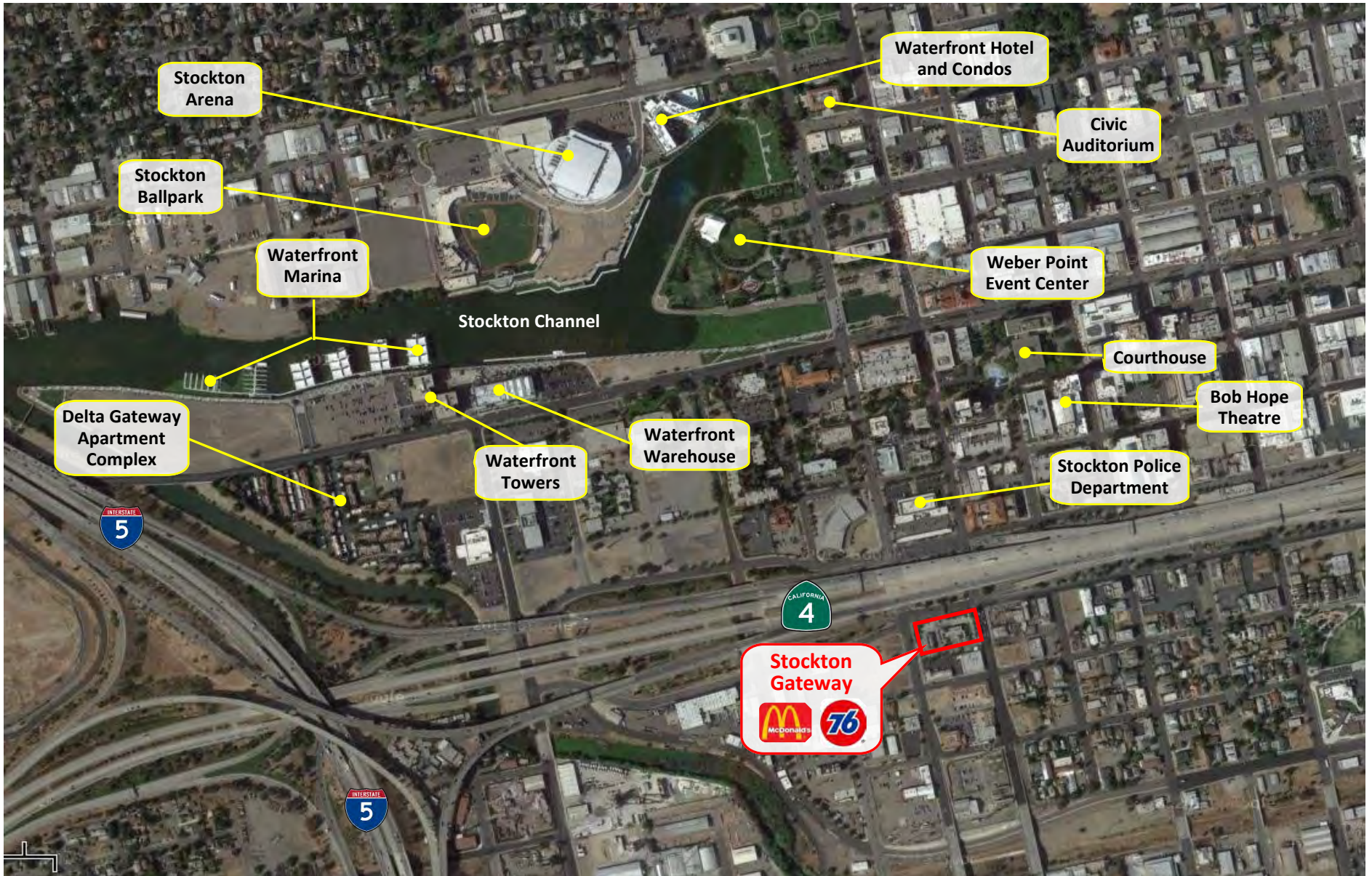
Stockton Gateway is advantageously positioned along three downtown streets with three separate access points; one at Center Street, one at El Dorado Street and one at E Lafayette Street , providing excellent ingress/egress to the site.

▶ Tenancy

The co-tenancy of such national recognition of McDonald's and Union 76 adds to the pull of travelers from the CA State Route 4 (The Cross-Town Freeway).



AERIAL





DOWNTOWN STOCKTON ATTRACTIONS

Downtown Stockton

Historical Downtown Stockton began with a mix of thriving commercial ventures and colorful characters. Industrious citizens altered the natural waterways running through the city to coordinate interstate water transportation systems and optimize Stockton’s strategic geographic location at the crossroads of California.

Today, Downtown Stockton is a vibrant waterfront community with endless opportunities and amenities. The Downtown is captivated with world-class art and entertainment, renovated historical buildings, museums, theaters, restaurants and attractions.



The Waterfront

With the remarkable transformation of Stockton’s Downtown Waterfront Community, this historic area boasts the deep-water Stockton Channel, a thriving port that transports goods from the heart of Stockton to the Pacific Ocean. Beautiful residential communities, hotels and resorts line the river banks.



Weber Point Event Center

A Star Downtown attraction, the Weber Point Event Center will host a variety events and concerts throughout the year.



Stockton Arena

The Stockton Arena features 8,600 to 12,000 seats (based on configuration) and various luxury suites and club seats. The Stockton Arena will host numerous events and is also home to the Stockton Thunder, a minor league, professional hockey team.



DOWNTOWN STOCKTON ATTRACTIONS

The Stockton Ballpark

The Stockton Ball Park is owned by the city of Stockton and is home to the Stockton Ports, a minor league baseball team that is an affiliate of the Oakland Athletics. The ballpark features 5,200 fixed seats in addition to other seating facilities and amenities.



Stockton Marina

The new Stockton Marina is located along the downtown's Stockton Channel. With immediate access to the downtown Waterfront's abundance of amenities, the Stockton Marina is a popular site. It offers 48 covered slips; six 80-foot berths, twelve 60-foot berths, forty eight 50-foot berths. For guests, the marina provides 878 linear feet of dock, restrooms, showers and access points to many of downtown Stockton's attractions.



Bob Hope Theatre

The Bob Hope Theatre is listed in the National Register of Historic Places. In addition to its mosaic floors and numerous concessions, the Theatre is surrounded by 2,042 completely refurbished red velvet seats and state of the art sound system.

Stockton Police Department

The Stockton Police Department was founded in 1850. Today, the department is led by Chief Eric Jones and the department consists of 650 employees and volunteers.



Stockton Courthouse

In the past decade, Stockton and its surrounding communities have experienced a significant increase in population. San Joaquin County is projected to have 1.7 million residents by 2050, signifying a 201 percent increase since 2000. Construction on the new downtown, county courthouse is scheduled to commence in 2014 and will comprise of 30 courtrooms and will consist of approximately 310,000 square feet.

University Plaza Waterfront Hotel

The elegant University Plaza Waterfront Hotel stands on the water's edge alongside the Delta waterway. It offers well-appointed rooms and suites, a wide range of amenities, and meeting facilities that accommodate 50 to 400 people in comfortable settings with delta views.



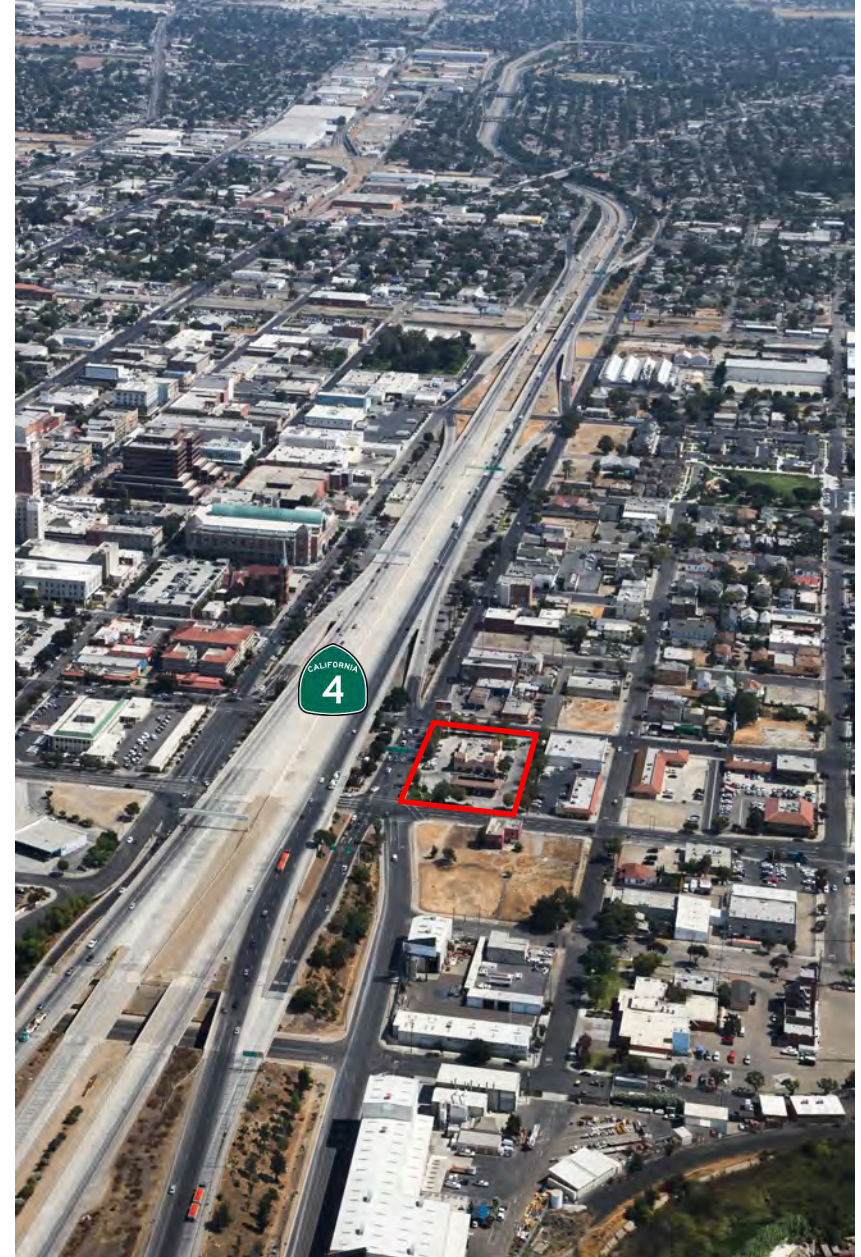
CALIFORNIA STATE ROUTE 4

CA State Route 4

Stockton Gateway is strategically situated directly off the California State Route 4. The approximate number of vehicles that travel in both directions during a 24 hour period are 102,000 along the State Route 4, between Interstate 5 and State Route 99 (commonly known as the “Crosstown Freeway”). Stockton Gateway is nicely nestled With 300 feet of frontage Stockton Gateway’s

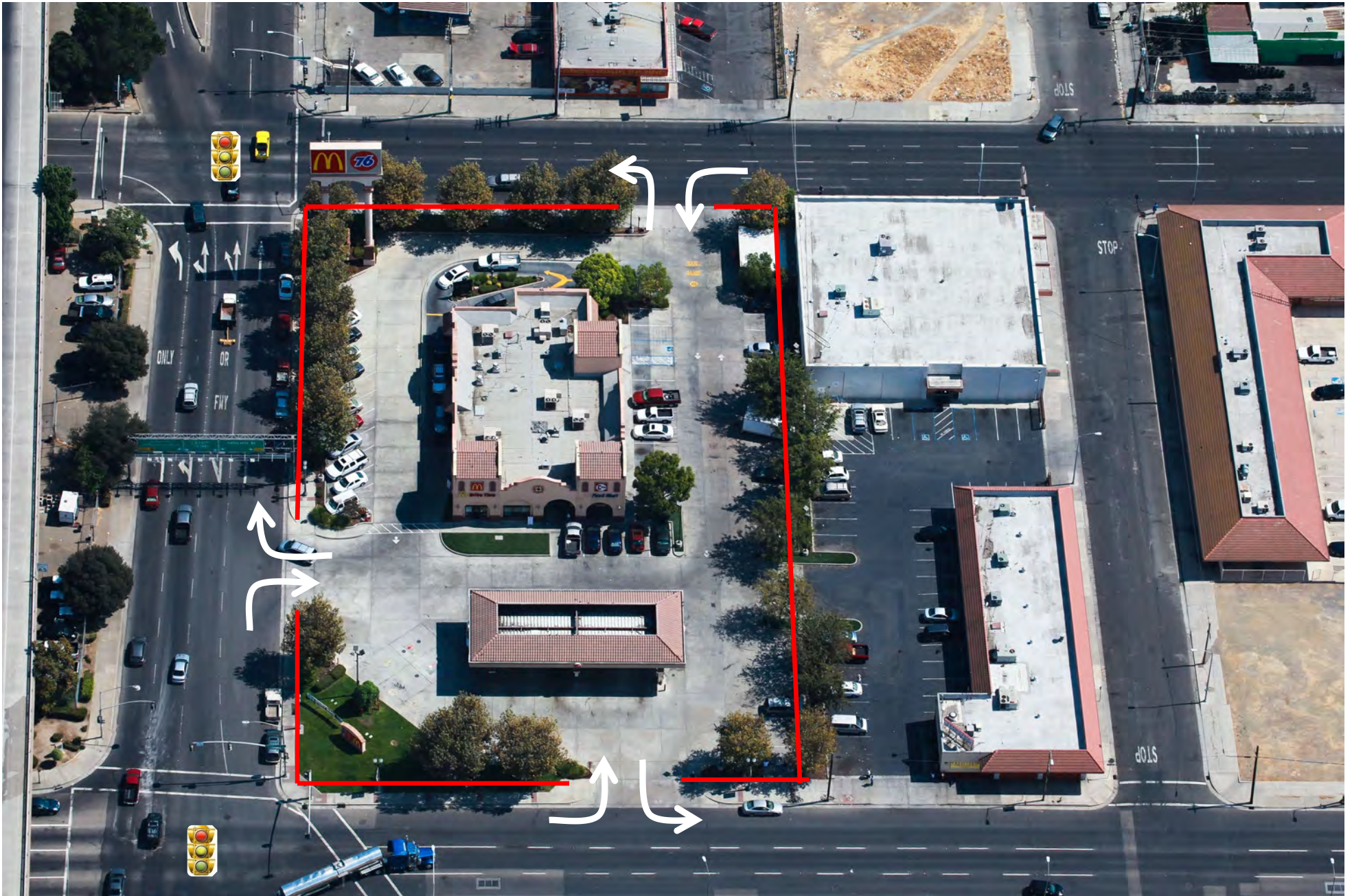
California State Route 4 is an east-west state highway in California, routed from the San Francisco Bay Area to State Route 89 in the Sierra Nevada. Route 4 passes right through Stockton where it connects the Interstate 5 with State Route 99. This stretch of State Route 4 is commonly referred to the “Crosstown Freeway” as it routes directly through Downtown Stockton before running eastward into the Sierra.

State Route 4 is a highly traveled highway not only to the locals utilizing it to connect Interstate 5 and State Route 99, but also to vacationer heading to the Sierra mountain range. State Route 4 passes directly through Murphys, Arnold, Calaveras Big Trees State Park, Bear Valley Ski Resort, and Lake Alpine, before ending at the California-Nevada border. State Route 4 is also a popular traveled highway for Bay Area travelers traveling to such popular destinations as Yosemite National Park, as State Route 4 connects directly to State Route 49.

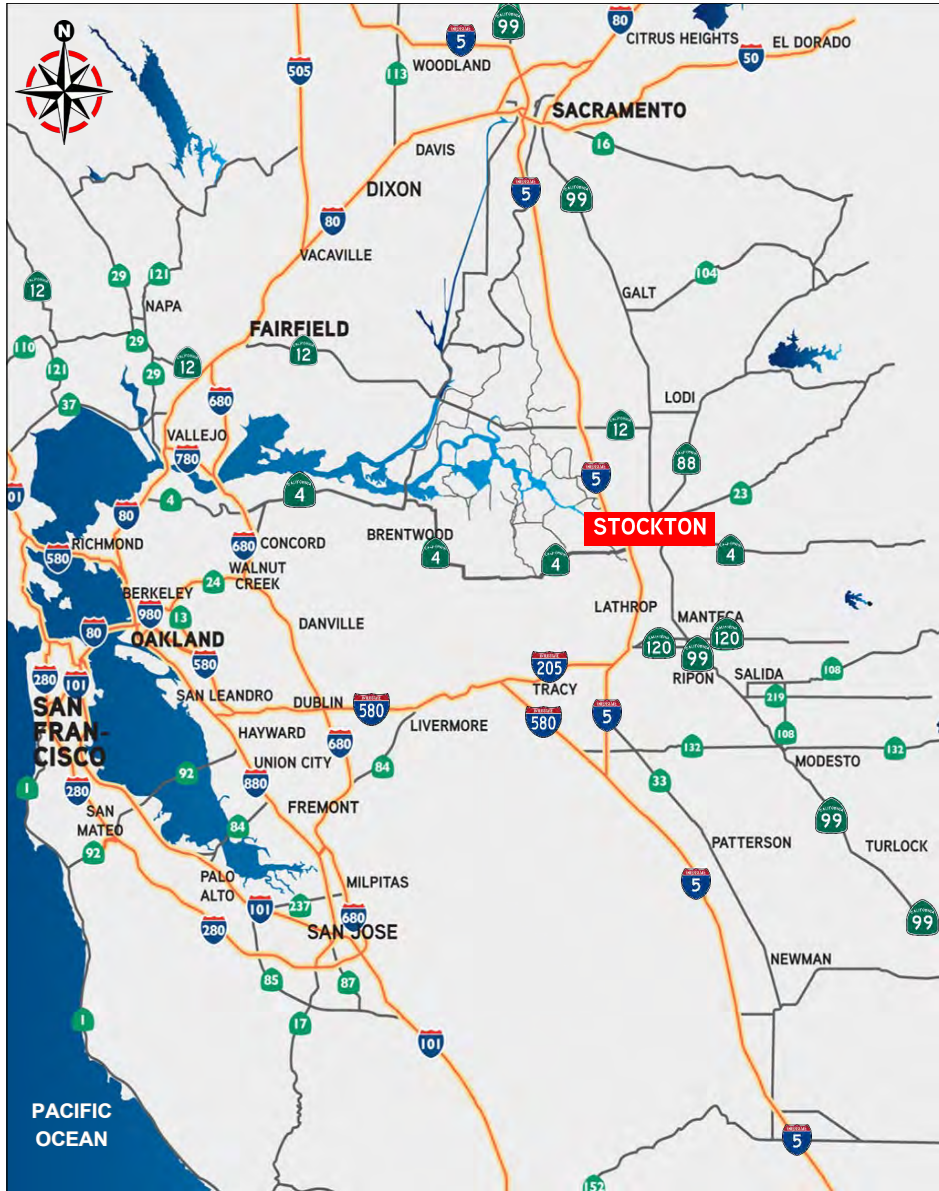


TRAFFIC COUNTS

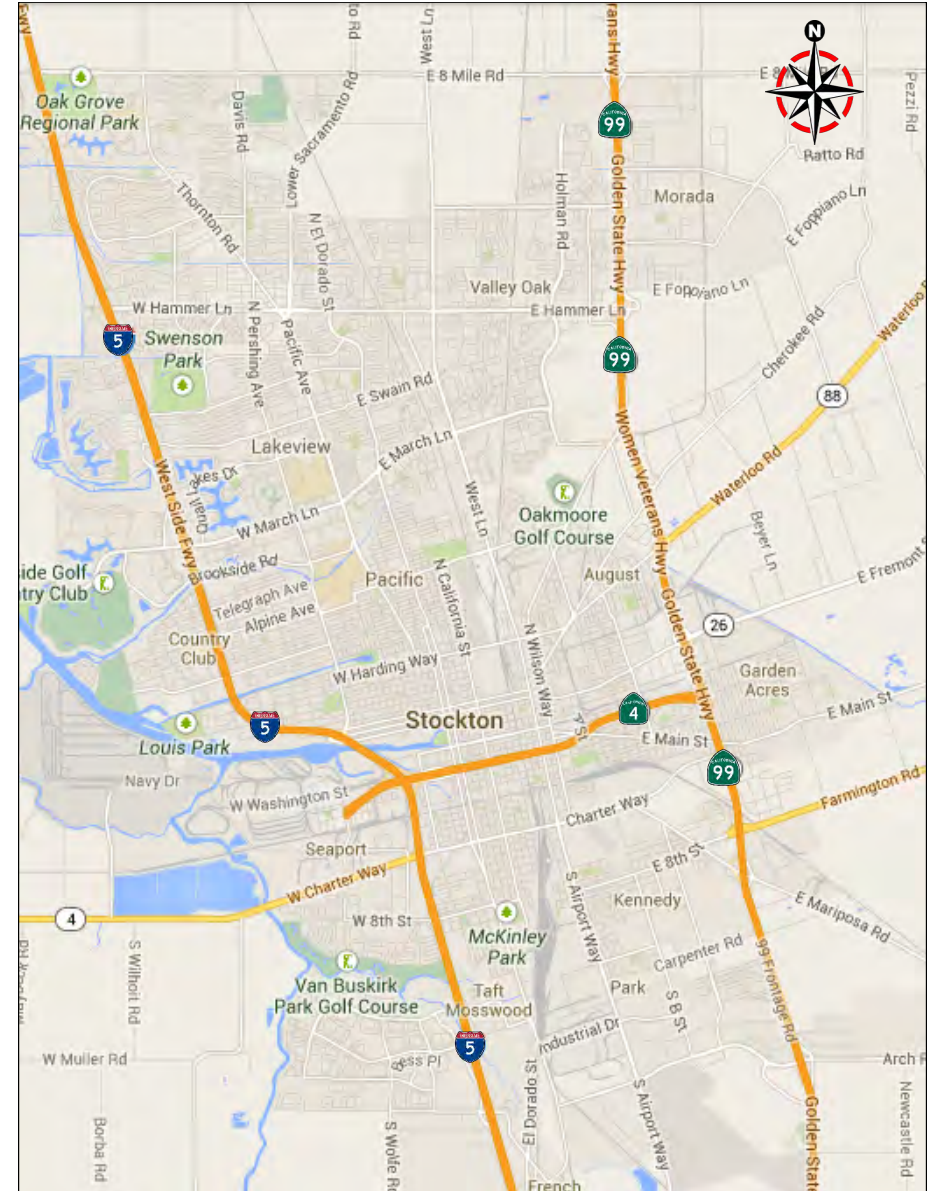




REGIONAL MAP



AREA MAP



DEMOGRAPHICS

	1 Mile Radius	3 Mile Radius	5 Mile Radius
POPULATION			
2013 DAYTIME POPULATION	20,042	52,080	91,174
PROJECTED GROWTH BY 2018	1.9%	2.8%	4.2%
HOUSEHOLDS			
2013 ESTIMATE	7,016	44,040	84,159
2018 PROJECTION	7,233	45,461	87,739
2013 HOUSEHOLDS BY INCOME			
\$500,000 OR MORE	0.09%	0.08%	0.17%
\$250,000 - \$499,999	0.23%	0.36%	0.68%
\$200,000 - \$249,999	0.23%	0.32%	0.55%
\$150,000 - \$199,999	0.90%	1.40%	2.04%
\$125,000 - \$149,999	0.90%	1.40%	2.22%
\$100,000 - \$124,999	2.85%	3.29%	4.82%
\$75,000 - \$99,000	6.10%	8.72%	10.16%
\$50,000 - \$74,999	11.06%	16.08%	17.76%
\$35,000 - \$49,999	11.37%	15.74%	16.36%
\$25,000 - \$34,999	11.99%	15.40%	14.20%
\$15,000 - \$24,999	19.14%	15.89%	14.05%
\$15,000 OR LESS	35.16%	21.32%	16.99%
2013 AVERAGE HH INCOME	\$35,075	\$44,382	\$52,193
2013 MEDIAN HH INCOME	\$22,755	\$33,307	\$39,367



This Confidential Offering Memorandum (the “Memorandum”) has been prepared and presented to the recipient (the “Recipient”) by Colliers International (“Colliers”) as part of Colliers’ efforts to market for sale the real property located at 310 – 322 S. Center Street, Stockton, CA, (“The Property”). Colliers is the exclusive agent and broker for the owner(s) of the Property (the “Owner”). Colliers is providing this Memorandum and the material contained in it to the Recipient solely to assist the Recipient in determining whether the Recipient is interested in potentially purchasing all or part of the Property. Colliers also is providing this Memorandum and the material in it to the Recipient with the understanding that the Recipient will independently investigate those matters that it deems necessary and appropriate to evaluate the Property and that the Recipient will rely only on its own investigation, and not on Colliers, the Owner or this Memorandum, in determining whether to purchase the Property. The Recipient’s use of this Memorandum, in determining whether to purchase the Property. The Recipient’s use of this Memorandum and the material in it is strictly governed by the terms and conditions of the Registration and Confidentiality Agreement that the Recipient previously executed and delivered to Colliers.

PLEASE NOTE THE FOLLOWING:

Colliers, the owner and their respective agents, employees, representatives, property managers, officers, directors, shareholders, members, managers, partners, joint ventures, corporate parents or controlling entities, subsidiaries, affiliates, assigns and predecessors and successors-in-interest make no representations or warranties about the accuracy, correctness or completeness of the information contained in this Memorandum. The Recipient is urged not to rely on the information contained in this Memorandum and to make an independent investigation of all matters relating to the Property.

This Memorandum includes statements and estimates provided by or to Colliers and/or the Owner regarding the Property. Those statements and estimates may or may not be accurate, correct or complete. Nothing contained in this Memorandum should be construed as a representation or warranty about the accuracy, correctness or completeness of such statements and estimates. Further, nothing contained in this Memorandum should be construed as a representation or warranty about the accuracy, correctness or completeness of such statements and estimates. Further, nothing in this Memorandum should be construed as representation or warranty about any aspect of the Property, including, without limitation, the Property’s (1) past, current or future performance, income, uses or

occupancy, (2) past, current or prospective tenants, (3) physical condition, (4) compliance, or (5) appropriateness for any particular purpose, investment, use or occupancy. Again, the Recipient is urged not to rely on this Memorandum and the statements and estimates in it and to make an independent investigation regarding the Property and the statements and estimates contained herein.

This Memorandum may include statements regarding, references to, or summaries of, the nature, scope or content of contracts and/or other documents relating to the Property. Those statements, references or summaries may or may not be accurate, correct or complete. Additionally, Colliers may not have referenced or included summaries of each and every contract and/or other document that the Recipient might determine is relevant to its evaluation of the Property. Nothing contained in this Memorandum should be construed as a representation or warranty about the accuracy, correctness or completeness of such statements, representations or summaries. On request and as available, and subject to the Owner’s consent, Colliers will provide the Recipient with copies of all referenced contracts and other documents. Colliers assumes no obligation to supplement or modify the information contained in this Memorandum to reflect events or conditions occurring on or after the date of its preparation of this Memorandum.

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, an interest in the Property. Nothing contained in this Memorandum may be construed to constitute legal or tax advice to a Recipient concerning the Property.

More detailed information regarding the anticipated terms, conditions and timing of any offering by the Owner relating to the Property will be provided in due course by separate communication. Colliers and/or the Owner reserve the right to engage at any time in discussions or negotiations with one or more recipients of this Memorandum and/or other prospective purchasers of the Property without notice or other obligation to the Recipient.

The Owner reserves the right to change the terms of any offering relating to the Property or to terminate without notice that offering. The Owner also reserves the right to operate the Property in its sole and absolute discretion prior to the completion of any sale of the Property. Colliers reserves the right to return of this Memorandum and the material in it and any other material provided by Colliers to the Recipient at any time. Acceptance of this Memorandum by the Recipient constitutes acceptance of the terms and conditions outlined above.