Complete, Self-Contained Market Value Appraisal of

Hastings Entertainment, Incorporated

Great Falls, Cascade County, Montana

For

Spirit Finance, LLC

As of April 1, 2004

The McGraw-Hill Companies

STANDARD & POOR'S

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Mr. Gregg Siebert
Spirit Finance, LLC
8910 East Raintree Drive, Suite 100
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April 16, 2004

Subject: Engagement letter for Standard & Poor's Corporate Value Consulting Services

Dear Sirs:

We have inspected and appraised the real property known as the Hastings, which is located at 726 10th Avenue South in Great Falls, Montana. This subject consists of a 25,000 square foot retail shopping building, situated on approximately 1.37 acres of land. The building is currently under construction and is expected to be completed by May of 2004.

The purpose of this appraisal is to estimate the market value of the leased fee interest in the real estate subject to the definition of market value, the general assumptions, limiting conditions, and the certification as set forth in this appraisal. As directed by our client, the market value has been estimated as of April 1, 2004. The intended use of the appraisal is to provide the market value to Spirit Finance, LLC for financing and purchase accounting purposes.

This report is for the use and benefit of, and may be relied upon by Spirit Finance, LLC or any of its affiliates and the agents and advisors, initial and subsequent holders from time to time of any debt and/or debt securities secured, directly and indirectly, by any participation interest in any such debt, and indenture trustee, servicer or other agent acting on behalf of such holders of such debt and/or debt securities; any rating agencies; and the institutional provider(s) from time to time of any liquidity facility or credit support for such financings, and their respective successors and assigns.

In addition, this report or a reference to this report, may be included or quoted in any offering circular, registration statement, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt and or debt securities.

This appraisal has been prepared in accordance with the Code of Professional Ethics and Standards of Professional Practice set forth by the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Foundation. This report is a complete, self-contained report in compliance with USPAP. We make no other warranties, either expressed or implied, as to the character and nature of such services and product.
Based upon the data and conclusions presented in the attached report, it is our opinion that the leased fee market value of the subject property, as of April 1, 2004, is:

FOUR MILLION EIGHT HUNDRED AND FIFTY THOUSAND DOLLARS

($4,850,000)

The following report contains a study and analysis of data and other material upon which our value conclusions have been predicated and has been completed under our engagement letter with Gregg Siebert.

Yours sincerely,

Standard & Poor’s Corporate Value Consulting

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Appraised:	Hastings Entertainment
Location:	726 10th Avenue South, Great Falls, Cascade County, Montana
Owner of Record:	GF - 10th Avenue, L.P.
Date of Valuation:	April 1, 2004
Date of Inspection:	April 1, 2004
Purpose of Appraisal:	Estimate market value financing and purchase accounting purposes.
Interest Appraised:	Leased fee
Premise of Value:	Market value
Land Area:	1.37 acres or 59,677 square feet
Zoning:	GC - General Commercial
Improvements:	
Gross Building Area:	25,000 sq. ft.
Appraised Gross Leaseable Area:	25,000 sq. ft.
Current Occupancy of Subject:	There is a current lease in place although the tenant is not expected to physically move-in until completion is complete in May of 2004.
Highest and Best Use	
As Vacant:	Retail consistent with the surrounding development
As Improved:	Current use as a commercial retail building
Estimated Marketing Time:	6-12 months
Estimated Exposure Period:	6-12 months

Leased Fee Market Value as of April 1, 2004:

Cost Approach:	$4,150,000
Sales Comparison Approach:	$5,000,000
Income Capitalization Approach:	$4,800,000
Market Value Conclusion:	**$4,850,000**

CERTIFICATION

We certify that, to the best of our knowledge and belief,

- the statements of fact contained in this report are true and correct;

- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;

- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the property that is the subject of this report or to the parties involved with this assignment;

- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;

- our engagement in this assignment was not contingent upon developing or reporting predetermined results;

- our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event;

- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;

- as of the date of this report, Thomas S. Helm, MAI and James A. Gavin, MAI have completed the requirements of the continuing education program of the Appraisal Institute;

- a personal inspection of the property that is the subject of this report was made by Andy Carey on April 1, 2004. Neither Thomas S. Helm, MAI nor James A. Gavin, MAI made an inspection the property.

- Andy Carey provided significant professional assistance to the person signing this report; and that,

- the use of this report is subject to the requirements of the Appraisal Institute, State Licensing Agencies or other appropriate professional organizations relating to review by its duly authorized representatives.

Thomas S. Helm, MAI
Manager, Standard & Poor's - CVC
Montana State Certified General Real Estate Appraiser # 628
Expires 3/31/2006

James A. Gavin, MAI, CRE
Director
Standard & Poor's – CVC

STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of liens, easements, encroachments and other encumbrances unless otherwise stated, and all improvements are assumed to lie within property boundaries.

2. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.

3. 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 readily be obtained, or renewed for any use on which the value estimates provided in this report are based.

4. Full compliance with all applicable federal, state and local zoning, use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.

5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the appraisal date hereof.

6. Responsible ownership and competent property management are assumed.

7. The allocation, if any, in this report of the total valuation among components of the property applies only to the program of utilization stated in this report. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

8. Areas and dimensions of the property were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.

9. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that affect value. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

10. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.

11. Neither Standard & Poor's Corporate Value Consulting nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements thereto for have been made.

12. This appraisal has been made in conformance with, and is subject to, the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.

13. We have not been engaged nor are we qualified to detect the existence of hazardous material which may or may not be present on or near the property. The presence of potentially hazardous substances such as asbestos, urea-formaldehyde foam insulation, industrial wastes, etc. may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on, in, or near the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is desired.

14. The date of value to which the conclusions and opinions expressed in this report apply is set forth in the opinion letter at the front of this report. Our value opinion is based on the purchasing power of the United States' dollar as of this date.

15. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property along with a detailed study of ADA requirements could reveal that the property is not in compliance with the act. If so, this would have a negative effect on the property value. We were not furnished with any compliance surveys or any other documents pertaining to this issue and therefore did not consider compliance or noncompliance with the ADA requirements when estimating the value of the property.

INTRODUCTION

Property Identification

The subject building is located at 726 10th Avenue South in Cascade County, Great Falls, Montana. The subject is located due west of the intersection of 7th Street and 10th Avenue South. The property consists of a one-story commercial retail building currently under construction to be completed and occupied in May of 2004. The subject building totals approximately 25,000 square feet of net rentable area. The subject site is 1.37 acres or 59,677 square feet in area.

Purpose and Date of Appraisal

The purpose of this appraisal report is to estimate the market value as of April 1, 2004 in the real property described above. The leased fee estate will be estimated for the commercial retail building. The subject property was inspected on April 1, 2004.

Intended Use and User of the Appraisal

It is understood that the purpose of this report is to estimate the real property collateral of the subject as of April 1, 2004 for Spirit Finance for financing and purchase accounting purposes.

Extent of Data Collection

As part of this assignment, the appraisers made a number of independent investigations and analyses. The valuation is based upon the findings contained in this report and is subject to all general assumptions and limiting conditions, and the extraordinary assumption(s) contained herein.

Scope of the Assignment

This report is a complete appraisal, reported as a self-contained appraisal report which has been prepared in accordance with the Code of Professional Ethics and Standards of Professional Practice set forth by the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation, and in compliance with Title XI FIRREA requirements. A self-contained appraisal report contains detailed descriptions of the data, reasoning, and analyses used to arrive at the value conclusion.

Based upon the highest and best use of the subject, we have prepared a valuation section utilizing the applicable approaches to value. Under these approaches, we have investigated numerous rental comparables and building sales within the subject area. Additionally, we have spoken with buyers, sellers, real estate brokers, real estate developers, appraisers and public officials to confirm the data as it pertains to the subject in this appraisal assignment.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Legal Description

The Client has provided a legal description of the subject property. The legal description is contained in the addenda of this report. It is recommended, however, that legal counsel confirm the legal description before any transfer or conveyance of the property is made.

Competency Provision

We have the knowledge and experience to complete this appraisal assignment and have appraised this property type before.

Property Rights Appraised

The property rights being appraised for the shopping center is the leased fee estate in the real property as of April 1, 2004. A Leased Fee Estate is defined by the Dictionary of Real Estate Appraisal, third edition, published by the Appraisal Institute, as follows:

> *"An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."*

Definition of Market Value

Market value as defined by the 2003 Uniform Standard of Professional Appraisal Practice, is as follows:

> *"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*
>
> 1. *buyer and seller are typically motivated;*
> 2. *both parties are well informed or well advised, and acting in what they consider their own best interests;*
> 3. *a reasonable time is allowed for exposure in the open market;*
> 4. *payment is made in terms of cash in 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 granted by anyone associated with the sale."*

Property History and Current Ownership

The property is owned by GF - 10th Avenue, L.P. This property was acquired on July 1, 2003 for $4,043,200 from Mehta Properties. These multiple parcels were assembled and combined to form the current parcel. The property is under contract of sale whereto GF - 10th Avenue, L.P. agrees to sell and convey to Spirit Finance Corporation on or before the tenth day after the later of the Commencement Date or the expiration date of the Inspection Period, for a price of $4,720,000. According to Stan Johnson Company Incorporated, of Tulsa, Oklahoma, the broker of the transaction, GF - 10th Avenue, L.P. purchased multiple improved parcels from Mehta Properties with the intention of demolishing the existing improvements and then completing the current improvements prior to the sale of the subject parcel to Spirit Finance, LLC.

Estimated Marketing Time

According to the 1st Quarter *2004 Korpacz Real Estate Investor Survey*, marketing time on a nation wide basis averages 6.85 months for strip shopping centers. Due to the characteristics of the subject property, we have estimated a range for marketing time of 6-12 months for the subject property.

Estimated Exposure Time

We have estimated the range for exposure time to be approximately the same as the range for marketing time, or 6-12 months.

DESCRIPTION AND ANALYSIS

Introduction

The subject property is considered to be economically and demographically related to the Great Falls metropolitan area. The map on the follow page shows the location of the subject property in relation to the Great Falls metropolitan area.

The general economics with respect to the population, education, housing, income, employment, climate, and other attractions are discussed within the following pages.

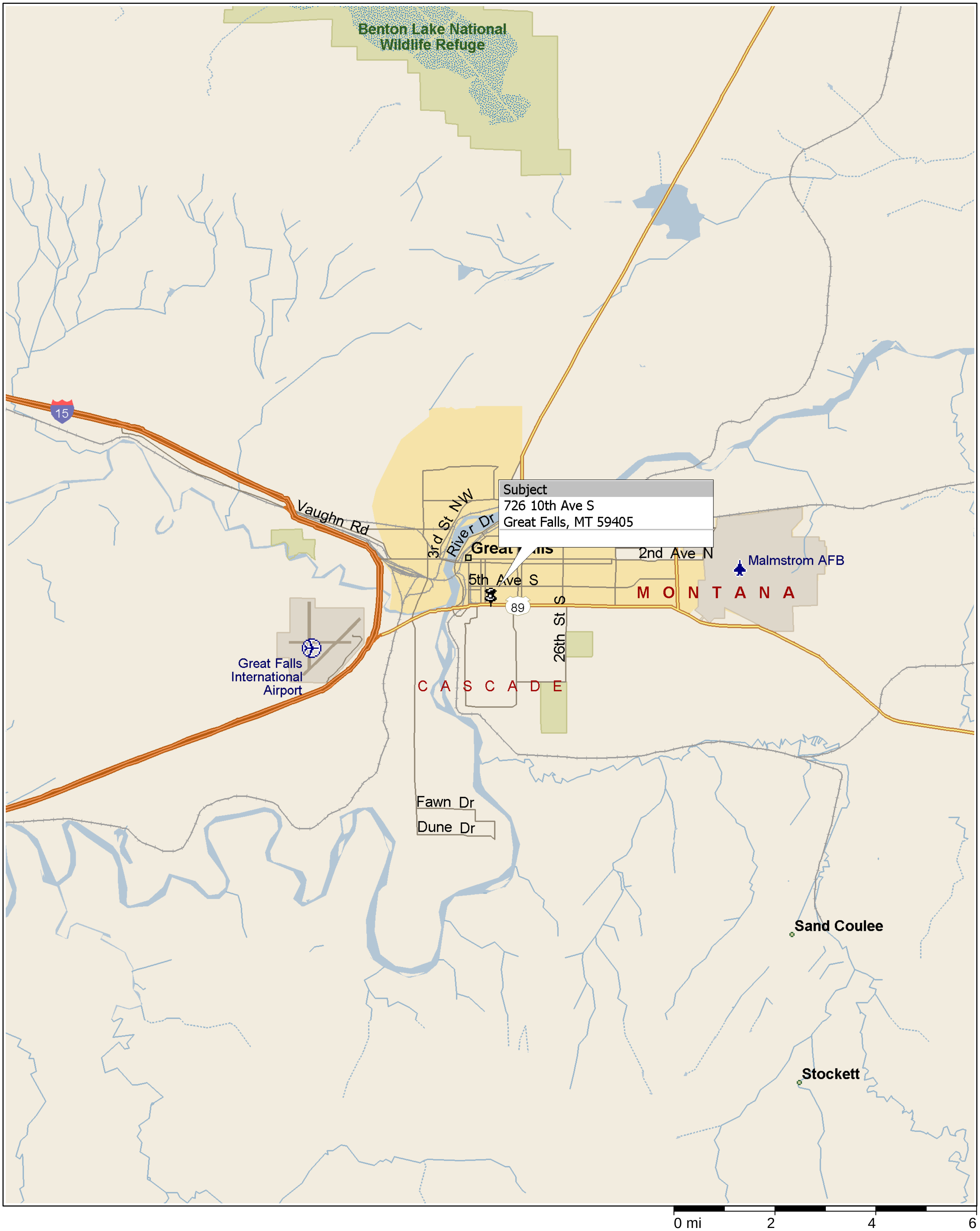
Area Analysis

The subject property lies within the city limits of Great Falls, Montana. The City of Great Falls, Montana, is located in Cascade County, in the central portion of the state of Montana, 3,300 feet above sea level. Great Falls encompasses an area of over seventeen square miles or roughly 10,880 acres. In Cascade County, Great Falls is the county seat, and the largest city located within the county by both population and land area. Furthermore, Great Falls the third largest city in Montana. Great Falls is situated on the Missouri River and lies approximately fifty miles east of the Continental Divide, 120 miles south of the Canadian border, and 180 miles northwest of Billings, the largest city in Montana.

Population

Great Falls, Montana had a total population of 56,690 people as of the 2000 census. Of this total 27,505 were male and 29,185 were female, or roughly forty-eight and fifty-two percent. The median age in years in Great Falls was 37.8. Of the total population of Great Falls 50,996 are considered to be white, or roughly ninety percent, while 2,888 are considered to be American Indian and 1,354 are considered to be Latino, which accounts for five and three percent of the population respectively. Cascade County, Montana grew by 0.8 percent throughout the 1990’s with 11,393 births and 6,596 deaths with a net domestic migration of negative 5,634 people, this according to the United States Census Bureau. Cascade County was the seventeenth fastest growing county in Montana throughout the 1990’s and 1,882 in the United States.

Area Map



Benton Lake National Wildlife Refuge
15
Vaughn Rd
3rd St NW
River Dr
Great Falls
Subject
726 10th Ave S
Great Falls, MT 59405
2nd Ave N
5th Ave S
89
26th St S
Malmstrom AFB
M O N T A N A
Great Falls International Airport
C A S C A D E
Fawn Dr
Dune Dr
Sand Coulee
Stockett
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2
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6

Education

Eighty-seven percent of the total population of Great Falls has a high school degree or higher while twenty-three percent of the total population has a bachelor's degree or higher. The University of Great Falls has a total full-time enrollment of 1,136 and is a private university that offers thirty-nine undergraduate programs incorporated into small classes, outstanding facilities, and full accreditation. The Montana State University College of Technology has a total full-time enrollement of 2,000 and is a two-year college. Two traditional high schools and one alternative exist in the area while fifteen elementary schools exist in Great Falls.

Housing

As of the 2000 Census ninety-seven percent of Great Falls' total population lived in households. Of the total population of 56,690, 55,159 lived in households while 1,531 lived in-group quarters. Households totalled 23,834 with 14,838 being family households or roughly sixty-two percent, and 8,996 being non-family households or thirty-eight percent. Of these households sixty-three percent were owner-occupied housing units while thirty-seven were renter-occupied housing units. The average household size was 2.31 per household while the average family size was 2.92. Total housing units as of the 2000 census in Great Falls, Montana were 25,250 with 23,834 being occupied housing units and 1,416 being vacant housing units, approximately ninety-four and five percent respectively. Roughly one percent of all housing units in Great Falls account for seasonal, recreational, or occasional use.

Of all housing units in Great Falls, the largest majority of those constructed took place between 1940 and 1959, roughly 7,501 or twenty-nine percent. Twenty percent of all housing units were built before 1939 while nineteen percent were built between 1960 and 1969. The remainder of all buildings was built after 1970 with the largest amount of these constructed between 1970 and 1979.

Income

As of the 2000 Census, nineteen percent of the household income in Great Falls, Montana, fell between $35,000 and $49,999. This accounted for 4,494 households. Sixteen percent of all households generated between $50,000 and $74,999, while fifteen percent of all households in Great Falls, Montana, generated between $25,000 and $34,999. The media household income for Great Falls, Montana, was $32,436 as of the 2000 Census, according to the United States Bureau of the Census. The median per capita income in dollars according to the 2000 Census was $18,059.

Employment

Of Great Falls' population 43,951 people were sixteen years and older. Of this number, 28,015 people were considered to be in the labor force as of the 2000 Census. This accounts for sixty-four percent of the eligible working class, which means that thirty-six percent of Great Falls' population sixteen years and older in not considered being part of the labor force. Of the City of Great Falls total population, 1,258 are employed by the Armed forces, which means that they are excluded from the civilian employment and unemployment rate calculations. Of those in the civilian labor force of Great Falls, Montana, only 4.2 percent are unemployed, which represents a rate lower than that of the national average.

Of the total working class population, the largest majority of those, thirty-one percent, participated in the management, professional, and related occupational fields in Great Falls, this according to the 2000 Census. Close to thirty percent participated in the occupation of sales, while eighteen percent participated in service occupations. Only one half percent of the total working class population of the City of Great Falls participated in farming, fishing, and forestry occupations.

The five largest employers located in the Great Falls include; Malmstrom Air Force Base with 4,572 employees, Benefits Healthcare Center with 2,044 employees, Great Falls Public Schools with 1,417 employees, and the Montana Air National Guard with 979 employees, this according to the Montana Department of Labor and Industry, Research and Analysis Bureau.

Malstrom Air Force Base has been operating in Great Falls since 1939. It was named the Best Airforce installation in the continental U.S. by the 341st Space Wing as of 2002, has a significant impact on the local economy as it produces an annual payroll of $170 million and has an estimated economic impact of $260 million, this according to the Great Falls Development Authority.

Climate

The City of Great Falls is located along the main stem of the Missouri River at its confluence with the Sun River at an elevation of 3,300 feet above sea level. Except to the north and northwest, Great falls is encircled by mountain ranges, which lie about thirty miles away from east to south, forty miles to the southwest, and sixty to one hundred miles distance from west to northwest. Topography plays an important part in the climate of Great Falls. The Continental Divide to the west, and Big and Little Belt Ranges to the south are primary factors in producing the frequent wintertime "Chinook" winds observed in this part of Montana. The combination of valley and plateaus in the immediate area contributes to marked temperature differences between the airport and the city proper, either on calm, clear mornings, or when Chinook winds reach the airport before they are felt at the lower elevations in town. Great Falls experiences fifteen inches of rain annually, sixty-three inches of snow annually, 155 days of temperature less than thirty-two degrees Fahrenheit, and eighteen days of temperature more than ninety degrees Fahrenheit.

Other Attractions

Great Falls is a city of many attractions. The C. M. Russell Museum includes the spirit of the Old West featured by Charlie M. Russell's oil paintings; watercolors, bronzes and sketches offer a personal view of turn-of-the-century life in Montana. The C.M. Russell Museum has the most complete collection of his works, in addition to other works by other fine western artists. The Great Falls Symphony is in its 44th season providing opportunities for cultural enrichment and education for people in communities of Montana. The Symphony offers a variety of quality musical performances and an extensive resident ensemble-touring program. It consists of a full-size orchestra, symphonic choir, and regional youth orchestra as well as two professional resident ensembles. Located on a bluff overlooking the Missouri River, the Lewis & Clarke National Historic Trail Historic Trail Interpretive Center features the Expedition's portage around the Great Falls of the Missouri River. Exhibits in the 5,500 square foot gallery retrace the Expedition's route and explore the interaction with the Indian Tribes of the Plains and the Pacific Northwest. A 30-minute feature film shows hourly in the 158-seat theater. Costumed interpreters conduct demonstrations of events from this memorable journey west. The Malmstrom Air Force Base Museum portrays the history of the base and the local area relating to aviation. Museum displays include the Lewis and Clark expedition of 1805; the WWII era with a barracks room and flight line diorama; the Strategic Missile Mission; the Air Defense Mission; and various other base missions or functions. For more than 1,000 years, prehistoric men and women of the Great Plains hunted bison by driving them over cliffs. One of the most spectacular yet least commercially developed "buffalo jumps" can be seen today at Ulm Pishkun State Park, a dozen miles west of Great Falls. Certainly dozens, probably hundreds, possibly thousands of buffalo at a time were driven over the cliff at Ulm Pishkun. To the nomadic people who inhabited the Great Plains, the buffalo meant survival.

Area Analysis Conclusion

The subject property is located within the Great Falls metropolitan area. The economics and demographics of this metropolitan area have a positive impact on the health of the subject's immediate market. The Great Falls market has been seen little population growth over the past decade. Great Falls' location, in the remote central portion of Montana and encircled by mountain ranges, provides for a moderate standard of living when compared to other metropolitan areas in the northwest United States. This being stated, the rural nature of Great Falls provides for a strong retail market base somewhat insulated from the drastic economic fluctuations as metropolitan geographic competition does not exist within the relative vicinity of the area. The Great Falls local economy should remain relatively steady and flat due to its geographic location within Montana over the coming year.

NEIGHBORHOOD ANALYSIS

The objective of a neighborhood analysis is to determine perceivable patterns of growth, structure and change that may detract from or enhance property values. The analysis provides a framework or context in which the property values are estimated. The following paragraphs discuss the characteristics of the subject's neighborhood.

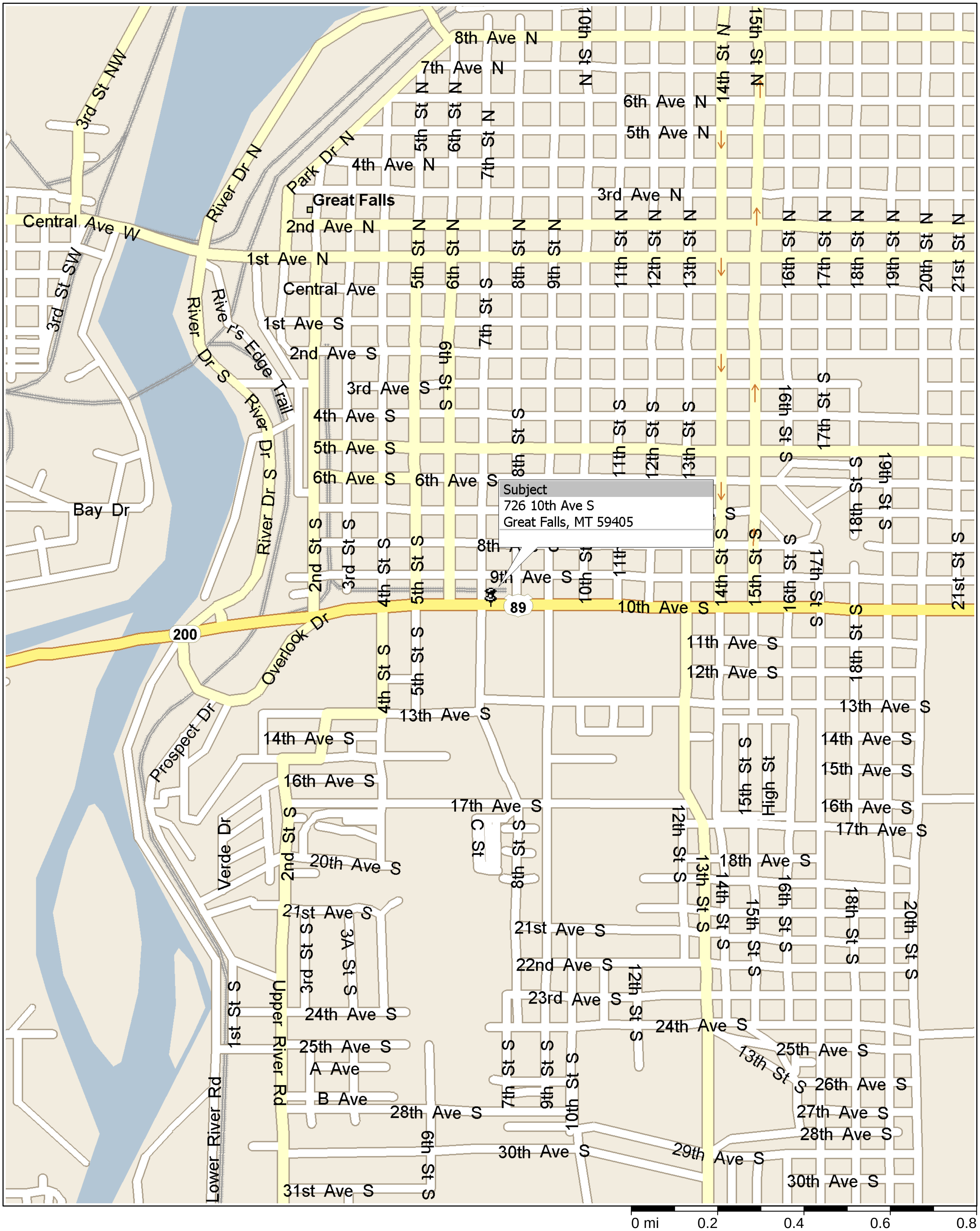
The subject is located in Great Falls, Cascade County, Montana along the south side of 10th Avenue South just west of the intersection of 10th Avenue South and 7th Street South. The subject property has access from two entrances off of the eastbound side of 10th Avenue South.

Nearby uses include commercial retail along 10th Avenue South to both the east and west, and residential uses to both the north south off of 10th Avenue South. The area is easily accessible from Interstate 15, which can be accessed, across the Missouri River, to the west of the subject. Interstate 15 runs on a north/south axis to the west of Great Falls. The Great Falls International Airport lies to the west of Interstate 15 roughly two miles away from the subject. Malmstrom Air Force Base lies to the east of the City of Great Falls. The City of Great Falls is situated on an east/west axis along 10th Avenue South between the Great Falls International Airport and Malmstrom Air Force Base. The mileage between the two sites totals eight miles. Uses along 10th Avenue South consist of a mix of commercial retail centers, including several restaurants. Beyond 10th Avenue South to the north and south the immediate area includes residential uses primarily characterized by single-family homes.

The following section summarizes the uses immediately surrounding the subject site:

North:	Immediately north of the subject across 10th Avenue South beyond an Arby's fast food chain restaurant and a Fuller O'Brien Glass Mirrors lies single-family housing.
South:	Immediately south of the subject, beyond 12th Avenue South, is single-family housing. Undeveloped land and a Gold's Gym lie due South of the subject along 12th Avenue South.
East :	To the east of the subject along 10th Avenue South lie various commercial retail centers and restaurants including a White's general electrical and appliances, a Wendy's fast food chain restaurant, and a Trinity Financial improved establishment.
West:	To the west of the subject along 10th Avenue South lie various commercial retail centers and restaurants including a Conoco, a PMI Branch Bank, and a Gus and a Bison Ford Auto Dealership.

Neighborhood Map



Neighborhood Analysis Conclusion

The subject's immediate neighborhood is relatively built up and has one parcel of undeveloped land available to the south of the subject located on 12th Avenue South. The area is moderately maintained and exhibits the characteristics of a strong commercial retail center as demonstrated by the lack of undeveloped land and the abundance of commercial retail uses located within a the immediate area The subject and the immediate area have convenient access to interstates and the extended area has a solid base of single and multi-family homes. The subject is expected to continue to benefit from the surrounding uses.

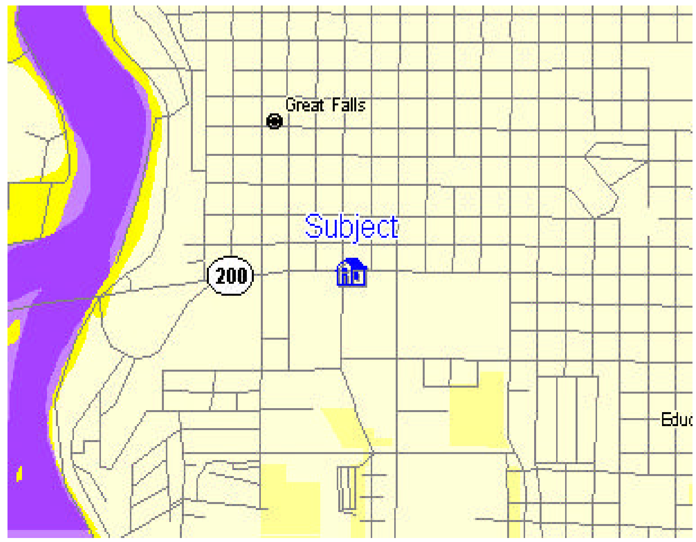
SITE DESCRIPTION

Location:	The site is located at 10th Avenue South west of the intersection of 7th Street and 10th Avenue South in Cascade County, Great Falls, Montana
Land Area:	The site contains 1.37 acres or 59,677 square feet
Topography & Drainage:	The site is flat and slightly above street grade. Our investigation did not reveal any prior property damage or current problem that can be directly attributed to an inefficient drainage system.
Access:	There are two points of direct access to the subject property; the two entrances are along 10th Avenue South; a 6-lane, east/west road which borders the north side of the subject property. The site has good exposure from 10th Avenue South, which maintains a daily traffic count of 37,610 vehicles, this according to Stan Johnson Company Incorporated, of Tulsa, Oklahoma.
Visibility:	The subject property is well positioned with regards to proximity to major thoroughfares (i.e., Interstate 440 the Raleigh Beltway). The subject's visibility is comparable to other commercial retail centers located in the surrounding area.
Easements:	The subject has typical utility easements that do not appear to negatively affect the site.
Utilities:	All available.
Soils Reports:	It is assumed in this appraisal report that no adverse soil or subsoil conditions exist that would impair the use of property, its value and marketability. We have made the assumption that no funds would be required as related to this environmental condition by the pending buyer (no on-site treatment necessary).

Flood Zone:

According to maps published by the Federal Emergency Management Agency (FEMA), the subject site lies within flood zone X500, defined as areas outside of the 100 and 500-year floodplains; as indicated on FEMA Community Map Panel 300010 0005D, dated February 15, 2002.

Please find the Flood Zone Maps Below:



Hazardous Waste:

The appraisers noted no evidence of the presence of hazardous wastes in the land. It should be noted that the appraisers are not qualified to detect hazardous wastes and/or toxic materials. Any comment by the appraisers that might suggest that the existence or absence of such substances should not be taken as confirmation or denial of the presence of hazardous wastes and/or toxic materials. Such determination would require an investigation by a qualified expert in the field of environmental assessment.

The presence of substances such as asbestos or urea-formaldehyde foam insulation or other potentially hazardous material may affect the value of the property. Our value estimate is predicated on the assumption that there is no such material on or in the subject that would cause a loss in value.

No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required discovering them. The descriptions and comments are the result of the routine observations made during the appraisal process.

Zoning

A discussion of the zoning ordinance for Great Falls, Montana follows:

The subject property is zoned GC - General Commercial. Allowable uses for GC zoning include commercial, retail, office, and similar uses.

Zoning ordinances require no setback requirements from the front of the property. There are no setback requirements from the side, and 10-foot setbacks from the rear of the property. There are no height restrictions. Per discussions with the City of Great Falls' zoning board, the current subject is in compliance with the City's approved legislation.

Based upon existing zoning information, the subject improvements are of legal and conforming use in accordance with the City of Great Falls, Montana, zoning board.

Improvement Description

The subject's improvements consist of a commercial retail building that consists of 25,000 square feet of gross leaseable area in a single story, single-tenant commercial retail building. The following descriptions of the subject's improvements are based upon an inspection of the property and materials provided by the client. Photographs of the subject property are located in the Addenda.

Building Type

The property consists of a one level, single-tenant commercial retail building containing 25,000 square feet of gross leasable area to be completed in May of 2004. The building is generally rectangular in shape. The improvements are of good quality.

Design/Layout

The subject has primary frontage along 10th Avenue South. The subject is located on the south side of 10th Avenue South.

Building Improvement Description:

Structural:	Concrete brick.
Foundation:	The foundation consists of reinforced concrete slabs on grade with spread footings.
Exterior:	Chipped concrete block and stucco exterior.
Floor Cover:	The floors are commercial grade carpet supplemented by tile and hardwood floor.
Roof:	The roof is a combination of built-up composition.
Interior Finish:	The interior finishes include painted and/or drywall finishes over either concrete block or drywall. Lighting consists of fixed and recessed fluorescent fixtures. Ceiling consists of acoustical tile ceiling and glass doors. Interior finishes are typical of retail structures of this type.
HVAC:	There are HVAC units installed.
Fire Protection:	The building has a wet-sprinkled system.
Plumbing/Electrical:	The plumbing and electrical systems are adequate for retail use.
Parking:	Parking is provided for a total of 110 cars on site, indicating a parking ratio of 4.40 spaces per 1,000 square feet of gross rentable area.
Site Improvements	Site improvements consist of an asphalt parking lot, parking lights, concrete curbs, walkways, and landscaping.

Effective Age

The improvements are still under construction and are expected to be completed by May of 2004. We have concluded an effective age of zero years, which is the same as the actual age. We believe this estimation of effective age to be reasonable based upon our site inspection. According to guidelines established by the *Marshall Valuation Service* manual, the improvements have a typical economic life of 40 years. We have estimated a remaining useful life for the subject property of 40 years.

Summary of Improvements

The improvements are in good condition as of the date of inspection and reflect current design standards. We assume that the functional utility of the subject improvements is adequate for its intended use as a commercial retail building. The design of the building utilizes the entire site with vehicular and pedestrian traffic. The center does not suffer from any functional obsolescence.

Property Taxes and Assessments

The Cascade County Assessor's Office assesses the subject property. The Cascade County parcel number that identifies the subject property is 823800. Property tax bills are due in full in semiannual installments on November 30th and May 31st. Interest is owed for taxes paid after the start of the following year. Cascade County is required to reappraise real property at least once every six years. The last assessment was effective on November 1, 2003; the next reassessment becomes effective on November 1, 2009. Real estate values should reflect the market value of properties at the time of the last appraisal. The subject's total current assessed value is $781,440.

The following is a summary of the assessed values, and total taxes for the subject property 2004.

Tax Year	Improvements Assessed Value	Land Assessed Value	Total Assessed Value	Real Property Taxes	Effective Tax Rate
2004	$351,300	$430,140	$781,440	$25,787	3.30%

As the above chart indicates, property taxes for the subject are approximately 3.30% of the assessed value, approximately $0.43 cents per square foot, indicating a slight decrease from 2003. Taxes are expected to decrease over the next several years.

All assessed values prior to 2004 reflect a different improvement on the associated parcel and therefore do not provide a useful historical context from a property tax perspective.

RETAIL MARKET OVERVIEW

Subject Analysis

The subject is a commercial retail building that will be occupied by a Hastings Entertainment, Inc. located off 726 10th Avenue South in the City of Great Falls, Montana, as of May 2004. Hastings Entertainment, Inc. is a multimedia entertainment retailer that sells and rents products such as: music, software, periodicals, videocassettes, video games, DVD’s, used products, video game consoles and DVD players in a superstore format. As of April 1, 2003, the company operated 146 stores in small to medium-sized markets located in twenty-one states, primarily in the Western and Midwestern United States. The Company also operates a multimedia entertainment e-commerce website offering a broad selection of books, music, software, videocassettes, video games, and DVDs. In addition to its primary product lines, the Company continually adds new product offerings to better serve its customers, including promotional t-shirts, portable electronics, consumer electronics, musical instruments, sheet music, greeting cards, audio books, and consumables.

As of January 31, 2004, for the three months and full year ending Hastings net income was $12.4 million, or $1.07 per diluted share for the fourth quarter and $7.8 million, or $0.68 per diluted share for the full fiscal year. These results compare to net income of $9.6 million, or $0.82 per diluted share, and $1.9 million, or $0.16 per diluted share, for the fourth quarter and full fiscal year 2002. Revenues for the year-ending January 31, 2003 were approximately $494.4 million, a five percent increase from year-ending January 31, 2002. As of January 2003, the Company had a net worth in excess of $79.1 million.

Area Analysis

The improved subject is located off of 10th Avenue South, which is considered to be and high volume traffic area within the state of Montana, averaging 37,610 cars per day, this according to Stan Johnson Company, Inc. of Tulsa, Oklahoma. The Holiday Valley Mall resides due east of the subject off of 10th Avenue South. The Holiday Valley Mall includes tenants such as Sears, Herbergers, JCPenney, Subway, Bath & Body Works, Kay Bee Toys, and Walden Books. This mall is the only regional enclosed mall within a three-hour drive of Great Falls. Other commercial retailers located off of 10th Avenue South include several fast food chain restaurants such as Arby’s, Wendy’s, McDonalds, and Del Taco, all within a five-block radius of the subject property. A regional Target is located east of the subject, in addition to an Albertson’s grocery. To the west of the subject roughly two blocks along 10th Avenue South the regional Ford Bison auto dealership exists. To the east of the subject a Blockbuster Video exist.

Market Rent Analysis

The subject is located in what we consider to be a secondary market from a commercial retail perspective. While other retailers exist in Great Falls along 10th Avenue South, none carry the product line to the same extent that the subject Hastings does. We feel it necessary to classify Great Falls, Montana, as a secondary market due in part to certain demographic characteristics such as population base and the number of competitive available commercial enterprises. Furthermore, available information with respect to comparable improved transactions located within the Great Falls subject market of similar product lines is limited. Therefore we felt it necessary to draw conclusions from other national retailers within secondary markets similar to that of the Hastings with respect to building age, lease characteristics, and product lines, primarily located in the Western and Midwestern United States, as that of other Hastings locations.

The comparables we used in our analysis share similar characteristics as our subject including, but not limited to, size, type of construction, construction date, market significance, and all are considered to be national chain store retailers.

The following table lists the commercial retailers we feel are comparable to the subject property form a secondary market perspective.

LEASE COMPARABLES						
Property	Location	Square Footage	Year Built	Lease Term	Options	Annual Rent/Per Fquare Foot
Hastings	Great Falls, Montana	25,000	2004	15 Years	3-5	$17.00
Best Buy	Las Cruces, New Mexico	30,000	2002	10 Years	4-5	$15.65
Best Buy	Lubbock, Texas	30,000	2003	15 Years	4-5	$14.60
Academy Sports	Lubbock, Texas	67,500	2003	20 Years	4-5	$5.33
Academy Sports	Slidell, Louisiana	67,500	2003	20 Years	4-5	$4.73
Academy Sports	Port Arthur, Texas	67,500	2002	20 Years	4-5	$5.92
Academy Sports	Lufkin, Texas	60,750	2004	20 Years	4-5	$6.00

Conclusion

The subject is well positioned within the city of Great Falls with respect to its location on 10th Avenue South. The subject benefits from its proximity to the Holiday Valley Mall and the fact that the nearest commercial retail hub located in the State of Montana is roughly 200-miles away in the City of Helena. In conclusion, the subject will benefit mostly from its geographic location along 10th Avenue South and the fact that no other retailer within the City of Great Falls carries a similar product line to the extent that the subject property, Hastings does.

HIGHEST AND BEST USE

As defined by the Appraisal Institute in The Dictionary of Real Estate Appraisal (1993), "highest and best use" is:

> *The reasonably probable and legal use of vacant or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are:*
>
> - *Legal Permissibility*
> - *Physical Possibility*
> - *Financial Feasibility*
> - *Maximum Profitability*

The above definition of highest and best use applies to use of a site as though vacant, as well as to the property as improved. When a site contains improvements, the highest and best use may be determined to be different from the existing use. The existing use will continue unless and until the land value in its highest and best use exceeds the sum of the value of the entire property in its existing use plus the cost to remove the improvements.

As Vacant

Legal Use

Legal restrictions typically fall into three basic categories. First are private and/or deed restrictions. These restrictions include use limitations imposed by previous owners, private easements, and leases. Second are specific public restrictions. These restrictions include right-of-way easements as well as underground and aerial utility easements. Third are zoning regulations, which are designed to maintain the character of a neighborhood versus, limit a specific parcel.

The site is GC - General Commercial Zone, per the city of Great Falls Zoning board. This zone is intended for any type of commercial, retail, or community office use including but not limited to strip shopping centers, quick service restaurants, automotive stores, and office. Based upon the zoning ordinance, the subject site is currently deemed to be a legal and conforming use.

Physical Use

The second constraint imposed on the possible use of the subject property is dictated by the physical aspects of the site itself. Additional use determinants include shape, topography, soil conditions, and access. In general, the larger the site, the greater the flexibility in development of the site. Overall, the site's size, shape, access, and soil conditions appear to be typical and conforming. Therefore, the subject site would tend to lend itself to several possible uses.

Financially Feasible Use

When considering financial feasibility, supply and demand factors are major determinants. Based on the existing retail development and rental rates achieved in the neighborhood, retail use is financially feasible.

Maximally Productive

To be maximally productive, a use must provide the greatest return on the capital invested, meaning it must be the most profitable use. In light of legal restrictions, physical characteristics, and financially feasible uses, we have concluded that the maximally productive use is for retail use.

Therefore, we have concluded that the highest and best use of the subject site as vacant is retail use.

As Improved

The highest and best use of the subject site as improved considers the existing improvements. The subject is improved with a commercial retail shopping building. The use that maximizes the property's net income is considered to be its highest and best use. Based on existing leases, the improvements are suitable for commercial use and fulfill space and location requirements of the tenants. The rental rates are high enough to justify the construction of the improvements and provide the developers of the project with a return on their investment.

Overall, the subject as improved is functionally adequate for its intended purpose as a commercial retail shopping building. There is no indication that an alternate use of the subject site will provide a greater return than the existing use. The building clearly contributes to the overall value of the property and no other use would justify development for an alternate use. Therefore, based upon the subject's improved value, overall market conditions, and its location, we estimate the subject's highest and best use as improved to be its current use as a commercial retail building.

VALUATION THEORY

In traditional valuation theory, the three approaches to estimating the value of an asset are the cost approach, the sales comparison approach, and the income capitalization approach. Each approach assumes valuation of the property at the property's highest and best use. From the indications of these analyses, an opinion of value is reached based upon expert judgment within the outline of the appraisal process.

Cost Approach

The cost approach is based on the understanding that market participants relate value to cost. The value of the property is derived by adding the estimated value of the land to the current cost of constructing a reproduction or replacement for the improvements and then subtracting the amount of depreciation in the structures from all causes. Profit for coordination by the entrepreneur is included in the value indication. This approach is particularly useful in valuing new or nearly new improvements and properties that are not frequently exchanged in the market.

Sales Comparison Approach

The sales comparison approach estimates value based on what other purchasers and sellers in the market have agreed to as prices for comparable improved properties. This approach is based upon the principle of substitution, which states that the limits of prices, rents, and rates tend to be set by the prevailing prices, rents, and rates of equally desirable substitutes. In conducting the sales comparison approach, we gather data on reasonably substitutable properties and make adjustments for factors including market conditions, location, conditions of sale, size, occupancy, etc. The resulting adjusted prices lead to an estimate of the price one might expect to realize upon sale of the property.

Income Capitalization Approach

The income capitalization approach simulates the reasoning of an investor who views the cash flows that would result from the anticipated revenue and expense on a property throughout its lifetime. The net income figure developed in our analysis is the balance of potential income remaining after vacancy and collection allowances, and operating expenses. This net income is then capitalized at an appropriate rate to derive an estimate of value or discounted by an appropriate yield rate over a typical projection period in a discounted cash flow analysis. Thus, two key steps are involved: (1) estimating the net income applicable to the subject and (2) choosing appropriate capitalization rates and discount rates. The appropriate rates are ones that will provide both a return on the investment and a return of the investment over the life of the particular property.

Correlation and Conclusion

The approaches to value are utilized to check each other. Inherent in each is an interpretation of market conditions as they affect the subject property. If only one approach was used, a factor might be overlooked or misinterpreted. The quality and the quantity of the data in each approach are considered, along with the relevance of each to the property. In this analysis, the cost, sales comparison and income capitalization approaches to value were used.

COST APPROACH

The Cost Approach is based on the principle of substitution, which states that no rational buyer would pay more for a property than the amount for obtaining a comparable site and constructing improvements of equal desirability and utility, assuming no undue delay.

This approach involves the application of five basic steps. First, the value of the land as vacant is estimated. Second, the current cost of replacing the improvements is estimated. Third, entrepreneurial profit sufficient to attract a developer to undertake the risk associated with the project is estimated. Fourth, accrued depreciation is estimated and deducted from the cost new estimate (inclusive of profit) to arrive at the contributory value of the improvements. In the final step, the land value is added to the contributory value of the improvements to arrive at a value indication by the cost approach.

Site Valuation

In estimating the value of the site as if vacant, the sales comparison approach is used. In this approach, value is estimated by comparing the subject site to similar properties that have been sold recently or are currently being offered on the market for sale. We have consulted local brokers, appraisers, and databases for recent sales of comparable properties within the subject area. Principals and/or the brokers handling the sales were then contacted to obtain further specific information regarding the properties and transactions. The available market data was investigated, analyzed and compared to the subject with adjustments being made for dissimilar characteristics.

Land Sale Analysis and Adjustments

The market data ranges in date of sale from June 2001 to November of 2003, in size from 19,500 square feet to 30,500 square feet, and in unadjusted price from $11.69 to $18.15 per square foot. The comparables were adjusted for various characteristics that impact value such as market conditions, size, location, access and frontage. Following is a map showing the location of the sales and a grid depicting the sales and our adjustments.

Land Sales

Subject, Hastings
726 10th Ave S
Great Falls, MT 59405
Land Sale # 1
10th Ave S & 9th St S
Great Falls, MT 59405
Land Sale #3
800 10th Ave S
Great Falls, MT 59405
Land Sale #2
825 10th Ave S
Land Sale #4
1700 10th Ave S
Great Falls, MT 59405
Watson Ln
225
Black Eagle Rd
36th Ave NE
33rd Ave NE
Skyline Dr NE
Black Eagle
6th St NW
Watson Coulee Rd
Rainbow Dam Rd
Giant Springs Rd
Wire Mill Rd
15th St NE
Smelter Ave NE
Smelter Ave
18th Ave N
87
River Dr N
10th Ave N
9th Ave N
8th Ave N
7th Ave N
52nd St N
Northwest Byp
Vaughn Rd
Galt Ave
5th Ave NW
3rd Ave NW
Central Ave W
Great Falls
5th Ave N
3rd Ave N
1st Ave N
2nd Ave S
3rd Ave S
4th Ave S
5th Ave S
7th Ave S
8th Ave S
10th Ave S
11th Ave S
13th Ave S
10th Ave SW
89
15
200
280
278
14th St SW
Airport Dr
Park Garden Rd
Fox Dr
Upper River Rd
29th Ave S
32nd Ave S
26th St S
Gibson Flats Rd
Gibson Flats
Highland Cemetery
Calvary Cemetery
45th Ave SW
40th Ave S
Lower River Rd
Highland Rd
Fields
Fields Rd
Flood Rd
Dick Rd
Fox Farm Rd
Gopher Dr
Elk Dr
13th St S
Fisher Rd
Cub Dr
Eden Rd
52nd St S
40th St S
0 mi
0.5
1
1.5
2
2.5

COMPARABLE LAND SALES GRID

Hastings Entertainment

726 10th Avenue South, Great Falls, Montana

As of April 1, 2004

	SUBJECT	SALE NO. 1		SALE NO. 2		SALE NO. 3		SALE NO. 4	
Complex Name	Hastings Entertainment	Vacant Land		Vacant Land		Vacant Land		Vacant Land	
Current or Proposed Use	Multimedia Entertainment Retailer	Blockbuster Video Store		Retail Facility		Gus & Jack's Tire Shop		Del Taco Fast Food	
Location	726 10th Avenue South	NE Cnr. of 10th Ave. South & 9th St. South		825 10th Avenue South		800 10th Avenue South		1700 10th Avenue South	
City, State	Great Falls, Montana	Great Falls, Montana		Great Falls, Montana		Great Falls, Montana		Great Falls, Montana	
Sale Price	----	$245,000		$365,700		$310,000		$295,000	
Price Per Square Foot	----	$11.83		$16.36		$10.16		$15.13	
Adjustments									
Property Rights Conveyed	Fee Simple	Fee Simple	=	Fee Simple	=	Fee Simple	=	Fee Simple	=
Adjusted Unit Sales Price	----	$11.83		$16.36		$10.16		$15.13	
Financing Terms	----	Cash	=	Cash	=	Cash	=	Cash	=
Adjusted Unit Sales Price	----	$11.83		$16.36		$10.16		$15.13	
Conditions of Sale	----	Normal	=	Normal	=	Normal	=	Normal	=
Adjusted Unit Sales Price	----	$11.83		$16.36		$10.16		$15.13	
Market Conditions/Date of Sale	Mar-04	Nov-03	=	May-03	=	Dec-01	+	Jun-01	+
Adjusted Unit Sales Price	----	$11.83		$16.36		$11.69		$18.15	
Location/Physical Adjustments									
Location	Good	Similar	=	Similar	=	Similar	=	Similar	=
Access/Frontage	Good/Average	Similar	=	Similar	=	Similar	=	Similar	=
Visibility	Good	Similar	=	Similar	=	Similar	=	Similar	=
Size (Square Feet)	59,677	20,711	=	22,350	=	30,500	=	19,500	=
Intended Use	Good	Similar	=	Similar	=	Inferior	+	Similar	=
Total Location/Physical Adjustments			=		=		+		=
Adjusted Price/SF:		$11.83		$16.36		$13.44		$18.15	

Minimum Adjusted Price/SF:	$11.83
Maximum Adjusted Price/SF:	$18.15
Mean Adjusted Price/SF:	$14.95
Concluded Price/SF:	$16.00
Concluded Land Value:	$954,832
Rounded:	**$950,000**

As demonstrated in the grid, the adjusted sales prices of the comparables range from $11.83 to $18.15 per square foot, with a mean adjusted price of $14.95 per square foot. Considering all of the sales, and after speaking with local brokers, we feel that our value conclusion is appropriate. We have therefore concluded at a market value of the subject site, as if vacant, as of April 1, 2004, of $16.00 per square foot. Our conclusion is as follows:

59,677 square feet at $16.00 per square foot:	$954,832
Rounded:	**$950,000**

Replacement Cost of Building Improvements

The replacement cost is the estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised using modern materials, current standards, design, and layout. Actual construction costs were not available for our review. Therefore, we used the Marshall Valuation Services ("MVS") manual published by Marshall & Swift to estimate the replacement cost of the subject.

The property consists of a 25,000 square-foot commercial retail building.

We quantified components of construction and then applied a unit cost to develop the replacement cost of the property as of the date of valuation. After refining for size and then applying current cost and local area multipliers, a base price per square foot was obtained. We have also included an item for soft costs—such as entrepreneurial profit and architect's fees—and leasing commissions to our calculation of replacement cost of building improvements. We estimated soft costs at 25 percent of replacement cost new.

Accrued Depreciation

Depreciation is a loss in property value from any cause. It is the difference between the replacement costs and the market value of the appraised property due to physical age and obsolescence. Depreciation can be categorized as physical deterioration, functional obsolescence, and external obsolescence.

Curable physical deterioration is described as the loss in value from that can be recovered or offset through correction, repair or replacement of the defective items causing the loss. The subject improvements are in excellent condition and have been well maintained. Therefore we have not estimated any curable physical deterioration at the subject.

Physical deterioration was estimated using the effective age/economic life method. We have estimated the depreciation using the simple straight-line depreciation method. We determined an effective age of zero years, less than the actual age, due to the excellent condition of the property. By dividing the effective physical age by the typical building life of 50 years, the straight-line method of depreciation results in an estimate of approximately 0 percent.

Functional obsolescence can also be caused by changes that, over time, have made some aspect of a structure such as its materials or design, obsolete by current standards. The improvements are in excellent condition and the buildings display current construction standards and materials and do not appear to have any inadequacies or super-adequacies. Therefore, we have not estimated any functional obsolescence for the subject improvements.

External obsolescence, usually not curable, is a loss resulting from causes outside the property boundaries that are not accounted for in land value. This type of obsolescence may occur, for example, when a new, larger building adjacent to an existing building causes it to become less desirable without reducing the value of the site. Other causes include market weakness, temporary neighborhood nuisances, government regulation and threatened litigation. We have not allocated any external obsolescence to the subject.

Site Improvements

The site improvements comprise all paving, sidewalks, landscaping, and other enhancements to the subject property. Our estimate of the depreciated value of the site improvements is $250,000 (rounded).

Value Conclusion

We deducted the accrued depreciation from the subject's replacement cost and then added the depreciated site improvement value and the site value to conclude a value via the cost approach. The value estimate via the cost approach is shown on the cost approach summary sheet on a following page.

COST APPROACH SUMMARY
Calculator Method
Hastings Entertainment
As of April 1, 2004

Replacement Cost New Before Soft Cost			$2,034,750
Soft Costs @ 25%			508,688
Entrepreneurial Profit @ 20%			406,950
Total Replacement Cost New			$2,950,388
Less: Accrued Depreciation			
	Physical Curat	$0	
	Physical Depre	$0	
	Functional Obsolescence		
	Curable	$0	
	Incurable	$0	
	Total Function	$0	
	External Obso	$0	
Total Accrued Depreciation			$0
Depreciated Replacement Cost			$2,950,388
Plus: Depreciated Cost of the Site Improvements			$250,000
Plus: Site Value			$950,000
Value Via Cost Approach			$4,150,388
Rounded			**$4,150,000**

SALES COMPARISON APPROACH

The sales comparison approach is based on the premise that an informed purchaser will ordinarily pay no more for an available property than the cost of acquiring a property with similar utility. This approach presumes that a market exists for the type of property being appraised. It also presumes that data on recent arm's-length sales of similar competitive properties in the same market are an appropriate guide to the market value of the property in question.

In conducting our search for market data, we interviewed real estate brokers and appraisers to obtain additional information about each property transaction. We made adjustments for differences in such factors as market conditions, location, size, age, condition and use. The unit of comparison used is the price per square foot of net leaseable area, chosen because it is the industry standard for this type of property and generally gives reliable results.

The following sales were selected because they represent the most comparable properties that have recently sold. We felt that in the specific case of our subject property that the comparable sales should extend beyond the regional market to include sales of similar characteristics within secondary markets similar to those of Great Falls. Furthermore, due to the rather flat market conditions of Great Falls, lack of commercial retail sales over the past several years, and the inadequacy of available information, we felt it necessary to consult with brokers in other secondary markets similar to those of Great Falls. A more detailed discussion of the current investment climate can be found later in this report under our discount rate and capitalization rate analysis sections. A discussion of the adjustments follows the detailed descriptions of the comparable improved sales.

Improved Sales

IMPROVED SALES COMPARISON GRID

Hastings Entertainment

726 10th Avenue South, Great Falls, Montana

As of April 1, 2004

	SUBJECT	SALE NO. 1		SALE NO. 2		SALE NO. 3		SALE NO. 4	
Name:	Hastings Entertainment	Hastings Entertainment		Checker Auto Sales		Best Buy		Best Buy	
Property Type:	Multimedia Entertainment Retailer	Multimedia Entertainment Retailer		Auto Repair Facility		Multimedia Entertainment Retailer		Multimedia Entertainment Retailer	
Location:	726 10th Avenue South	726 10th Avenue South		1408 Third Street NW		2280 East Lohmman Avenue		5916 West Loop 289	
City, State:	Great Falls, Montana	Great Falls, Montana		Great Falls, Montana		Las Cruces, New Mexico		Lubbock, Texas	
Date of Construction:	2004	2004		2003		2002		2003	
Gross Leasable Area:	25,000	25,000		7,000		30,000		30,000	
Condition:	Good	Good		Good		Good		Good	
Occupancy:	100%	100%		100%		100%		100%	
Sale Price	----	$4,850,000		$1,377,000		$5,859,000		$6,000,000	
Unit Sales Price	----	$194.00		$196.71		$195.30		$200.00	
Adjustments									
Property Rights Conveyed	----	Leased Fee	=	Leased Fee	=	Leased Fee	=	Leased Fee	=
Adjusted Unit Sales Price	----	$194		$197		$195		$200	
Financing Terms	----	Market	=	Market	=	Market	=	Market	=
Adjusted Unit Sales Price	----	$194		$197		$195		$200	
Conditions of Sale	----	Market	=	Market	=	Market	=	Market	=
Adjusted Unit Sales Price	----	$194		$197		$195		$200	
Market Conditions	Mar-04	Mar-04	=	Jun-03	=	Nov-03	=	Oct-03	=
Adjusted Unit Sales Price	----	$194		$197		$195		$200	
Location/Physical Adjustments									
Size	25,000	25,000	=	7,000	-	30,000	=	30,000	=
Location/Market Dominance	Good/Good	Similar/Similar	=	Similar/Similar	=	Similar/Similar	=	Similar/Similar	=
Visibility	Average/Average	Similar	=	Similar	=	Similar	=	Similar	=
Age/Condition	2004/Good	2004/Similar	=	2003/Similar	=	2002/Similar	=	2003/Similar	=
Occupancy	100%	Similar	=	Similar	=	Similar	=	Similar	=
Economic Characteristics	Good	Similar	=	Similar	=	Similar	=	Similar	=
Total Location/Physical Adjustments			-		=		=		=
Adjusted Price/Sq. Ft.		$194		$177		$195		$200	

Minimum Adjusted Price:	$177
Maximum Adjusted Price:	$200
Mean Adjusted Price:	$192
Concluded Value/Unit:	$200
Concluded Value:	**$5,000,000**
ROUNDED	**$5,000,000**

The market data ranges in date of sale from June 2003 to March 2004, in size from 7,000 square feet to 30,000 square feet of building area, and in unadjusted sales price from $194 to $200 per square foot. The comparables were adjusted for various characteristics that impact value such as market conditions, location/market dominance, visibility, size, and age of improvements/condition, tenant composition, net operating income, and occupancy. Following is a brief description of the adjustments.

Comparable Improved Sales Adjustments

Property Rights Conveyed

This category is used to adjust for differences in real property rights: fee simple, leased fee, leasehold, or any combination thereof. All of the sales were leased fee, therefore no adjustments were necessary to account for property rights conveyed.

Financing Terms

To the best of our knowledge, all of the sales were financed with cash or with conventional market financing. No adjustments were necessary.

Conditions of Sale

All of the sales are considered normal market transactions and required no adjustments.

Market Conditions

The sales occurred from August 2002 to properties currently in escrow. Sales were given adjustments depending on the sales date per respective property. No adjustments were necessary for any of the sales.

Size

Smaller properties tend to sell for higher unit prices, whereas larger properties typically sell for lower unit prices. Our sales range from 7,000 square feet to 30,000 square feet and our subject property is 25,000 square feet. Therefore, one of the sales was adjusted downward to account for its size being smaller than the subject.

Location/Market Dominance

The subject is deemed to have a good location and good market dominance. All of the comparable sales were deemed to have a similar location compared to that of the subject based on surrounding demographics in the comparables respective market. Therefore we have made no adjustments each of the comparables.

Visibility

The visibility of the subject improvements relates conceptually to exposure and frontage. The visibility adjustment is used to account for actual visibility from major thoroughfares in the immediate subject area. The subject has average location. All of the sales are considered to have similar visibility in comparison to the subject and were not given any adjustments.

Age/Condition

The subject property is expected to be complete in May of 2004 and is in good condition. All sales were constructed within the last two years and are of similar construction; therefore these comparable sales required no adjustments.

Occupancy

It is important to recognize that sale prices will vary with occupancy rates. The subject is currently assumed to be 100 percent leased. All sales had similar occupancies at the time of sale and therefore, no adjustments were made.

Economic Characteristics

The subject property currently exists within good market conditions. All sales were deemed to have similar economic characteristics and therefore no adjustments were needed.

Sales Comparison Approach Conclusion

The retail shopping centers in the adjustment grid showed an adjusted range of $177 to $200 per square foot, with an average of $192 per square foot.

Each of the sales was considered in the conclusion of value for the subject property. We estimate the market value of the subject property as of April 1, 2004, to be approximately $200 per square foot. This value falls within the range of adjusted prices provided by the improved sales in the table. The estimated leased fee, market value by the sales comparison approach, is as follows:

25,000 square feet at $200.00 per square feet:	$5,000,000
Rounded Value:	**$5,000,000**

INCOME CAPITALIZATION APPROACH

The income capitalization approach is based on the premise that value is created by the expectation of future benefits. We estimated the present value of those benefits to derive an indication of the amount that a prudent, informed purchaser-investor would pay for the right to receive them as of the valuation date.

This approach requires an estimation of the net operating income of a property. The estimated net operating income is then converted to a value indication by use of either the direct capitalization method or the discounted cash flow analysis.

The discounted cash flow ("DCF") analysis focuses on the operating cash flows expected from the property and the anticipated proceeds of a hypothetical sale at the end of an assumed holding period. These amounts are then discounted to their present value. The discounted present values of the income stream and the reversion are added to obtain a value indication. Because benefits to be received in the future are worth less than the same benefits received in the present, this method weights income projected in the early years more heavily than the income and the sale proceeds to be received later. The strength of the DCF method is its ability to recognize variations in projected net income, such as those caused by inflation, stepped leases, neighborhood change, or tenant turnover. Its weakness is that it requires many judgments about how likely buyers and sellers of the property would predict the future performance of the property and the market.

Direct capitalization uses a single year's stabilized net operating income as a basis for a value indication. It converts estimated "stabilized" annual net operating income to a value indication by dividing the income by a capitalization rate. The rate chosen includes a provision for recapture of the investment and should reflect all factors that influence the value of the property, such as tenant quality, property condition, neighborhood change, market trends, interest rates and inflation. The rate may be inferred from local market transactions or, when transaction evidence is lacking, obtained from trade sources.

In some situations, like our subject, both methods yield similar results. The DCF method is more appropriate for the analysis of investment properties with multiple or long-term leases particularly leases with cancellation clauses or renewal options, and especially in volatile markets. The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations In this case, we applied both the DCF and direct capitalization method to our subject.

Income Analysis

The rental income from the tenant is divided into three sources: base rent, percentage rent and expense reimbursements. The subject is 100 percent leased by Hastings, beginning May 8, 2003, with a 15-year term. In estimating the future potential income, we relied upon this existing long-term, single-tenant lease. Management provided data on the existing lease.

Contract Rent

Actual lease terms were used in computing revenue. We were provided with the existing lease. The subject consists of 25,000 square feet, 100 percent leased by Hastings Entertainment, Inc. The lease is triple net, and as of the valuation date, was $17.00 per square foot annually. Contract rent is detailed in the figure below:

Hastings
Existing Lease
Commencement May 8, 2003

Lease Year	Annual Rent NNN
May 2003 through Year 5	$425,000.00
Year 6 through Year 10	$437,500.00
Year 11 through 15	$450,000.00

Operating Expense and Tax Reimbursements

The tenant, Hastings is responsible for all of the real estate taxes, common area maintenance, repairs and maintenance, utilities, and insurance for the subject property. The base rent is subject to triple net reimbursements, therefore all expenses are passed through to the tenant, and the landlord is not subject to the majority of these.

Expense Analysis

Typically, we would project operating expenses for a property, however in this case, the tenant is on a long term lease subject to triple net reimbursements. This lease extends beyond our projection period, and encompasses 100 percent of the subject. The majority of expenses are passed on to the tenant, however, there are a few expenses that are not reimbursed by the tenant, which we have detailed below.

Management Fee

The management fee is the total paid for management services provided to the property.
The tenant does not reimburse the management fee. We have modeled our projection with a management fee of 3.0 percent of effective gross income.

Replacement Reserves

Overall, the property is in excellent condition as it will be completed in May of 2004 and has been exceptionally maintained. We have modeled a replacement reserve amount of $0.15 per square foot for the subject. This reserve is grown at 3.0 percent annually for the duration of our cash flow analysis.

Selling Expenses

Selling cost includes the real estate agent's commissions, closing costs, legal fees, and miscellaneous expenses. We have surveyed brokers and considered the subject property in order to determine an approximate and appropriate cost of sale at the end of the holding period. Based on our survey, we deducted 1.0 percent for selling cost.

Discounted Cash Flow Method

The first step in the Discounted Cash Flow Method is to estimate the gross potential income of the property. The next step was to determine gross potential income including percentage rent paid. From this, we deducted operating expenses and capital items, if any, to estimate the property's cash flow. Finally, we selected appropriate discount and capitalization rates and applied them in the valuation process to determine our estimate of market value.

In applying the DCF technique, we estimated the operating results over a hypothetical 12-year holding period and assumed the property would be sold at the end of the year 12 for a price calculated by capitalizing the projected following year's net income. The cash flows for a 12-year holding period are shown on the following page. We then discounted the cash flows at a rate reflective of current market conditions, bearing in mind the investment characteristics of the property. We selected a terminal capitalization rate reflective of anticipated market conditions, the likely future condition of the property, and the uncertainty associated with estimates of future income and value. Our analysis of the appropriate discount rate and terminal capitalization rate is presented following the cash flow. Our analysis is based on a fiscal year analysis of April 1, 2004 through March 31, 2016.

Software: ARGUS Ver. 11.0.0 | Date: 4 / 13 / 04
File: Great Falls | Time: 11:18 am
Property Type: Retail | Ref#: ABG
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SCHEDULE OF PROSPECTIVE CASH FLOW

In Inflated Dollars for the Fiscal Year Beginning 4 / 1 / 2004

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
For the Years Ending	Mar-2005	Mar-2006	Mar-2007	Mar-2008	Mar-2009	Mar-2010	Mar-2011	Mar-2012	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017
POTENTIAL GROSS REVENUE													
Base Rental Revenue	$425,000	$425,000	$425,000	$425,000	$436,458	$437,500	$437,500	$437,500	$437,500	$448,958	$450,000	$450,000	$450,000
Scheduled Base Rental Revenue	425,000	425,000	425,000	425,000	436,458	437,500	437,500	437,500	437,500	448,958	450,000	450,000	450,000
TOTAL POTENTIAL GROSS REVEN	425,000	425,000	425,000	425,000	436,458	437,500	437,500	437,500	437,500	448,958	450,000	450,000	450,000
EFFECTIVE GROSS REVENUE	425,000	425,000	425,000	425,000	436,458	437,500	437,500	437,500	437,500	448,958	450,000	450,000	450,000
OPERATING EXPENSES													
Replacement Reserve	3,750	3,863	3,978	4,098	4,221	4,347	4,478	4,612	4,750	4,893	5,040	5,191	5,191
Management Fees	12,750	12,750	12,750	12,750	13,094	13,125	13,125	13,125	13,125	13,469	13,500	13,500	13,500
TOTAL OPERATING EXPENSES	16,500	16,613	16,728	16,848	17,315	17,472	17,603	17,737	17,875	18,362	18,540	18,691	18,691
NET OPERATING INCOME	408,500	408,387	408,272	408,152	419,143	420,028	419,897	419,763	419,625	430,596	431,460	431,309	431,309
CASH FLOW BEFORE DEBT SERVIC & TAXES	$408,500	$408,387	$408,272	$408,152	$419,143	$420,028	$419,897	$419,763	$419,625	$430,596	$431,460	$431,309	$431,309

Discount Rate Analysis

In order to objectively and rationally select a discount rate, we have considered two methods. First, we have analyzed a built-up method employing safe, risk, and inflation rates. Second, we have reviewed required rates of return on real estate based on surveys of real estate investors.

Built-Up Method

In the application of yield capitalization, it is important to note that there is a distinction between the return *on* and return *of* capital.[1] It is also worth noting that in real estate markets, investors expect a complete recovery of the invested capital as well as additional payment for the use of capital. Valuation theory asserts that these two elements can be interpreted as the aggregate of a basic safe rate (plus a risk rate to compensate the investor for risk), the burden of management, and a lack of liquidity (plus an inflation rate).

The aggregate of these three rates provides an indication of an appropriate yield/discount rate. This method, most recently readdressed in an April 1986 article in *The Appraisal Journal* titled "Using a Real Discount Rate Model Is Better Than Predicting Inflation," builds the rate by aggregating the safe, risk, and inflation rates. Mathematically, the respective rates and processes are outlined as follows:

$$K = \left(R_f + R_p\right)\left(1 + I\right)$$

R_f	=	the safe or risk-free rate
R_p	=	the risk premium rate
I	=	the anticipated inflation rate
K	=	the nominal yield/discount rate

NOTE: *The inflation rate is multiplied by the sum of the risk-free and risk premium rates to account for the compounding effect of inflation over time. This process is also known as the "Fisher Effect," based on the work of Irving Fisher. Also, R can be substituted for (R_f + R_p), thereby simplifying the equation to K = R(1 + I). "R" can then be more easily extracted from other competing investments with similar risks.*

$\mathbf{R_f}$ = The benchmark for risk-free yields in the United States is U.S. Treasury bonds.

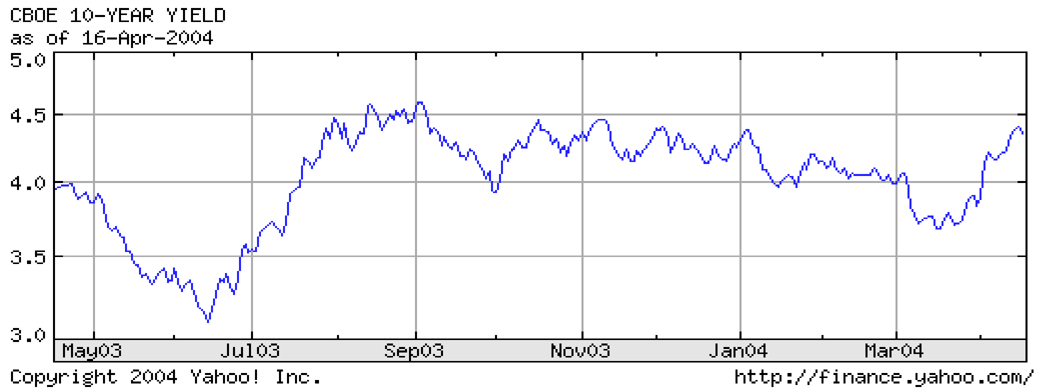
[1] *The Appraisal Journal--Discount Rate Derivation*, January 1989.

Selected Key Money Rates*	
Instruments	**Yield***
Federal Funds (effective)	1.01
Bank prime Loan	4.00
US government securities	
Treasury Constant Maturities	
1-Year	1.23
3-Year	2.10
5-Year	2.91
10-Year	3.95
Corporate Bonds	
Moody's Seasoned Aaa	5.43
Moody's Seasoned Baa	6.21
**Yields quoted in percent per annum*	
Source: Federal Reserve Statistical Release for April 2, 2004	

As of April 1, 2004, the Federal Reserve discount rate, the safest rate quoted, is at 1.01 percent, while the Bbb bonds are quoted at 6.21 percent, reflecting the highest risk. Potential arguments against utilizing bond yields and money market rates when analyzing real estate include dissimilarities in the liquidity of the assets and the differences in tax treatment. Real property ownership enjoys certain tax benefits that are not available on bond and money instruments, but the recent changes in the tax laws have influenced required real estate yields upward due to fewer incentives.

$\mathbf{R_p}$ = Risk premiums are included to compensate the investor for the risk of the cash flow returns, marketability and liquidity risk, interest rate risk, and uncertainty concerning inflation. The starting point for building up the risk premiums is the spread between similarly rated corporate bonds and ten-year Treasuries. As shown in the chart above, the current yield on the 10-Year Treasury Notes is 3.95 percent. The graph below details the 10-Year Treasury yield through 2004.

10-Year Treasury Yield – Trailing Twelve Months



After reaching a 44-year low and yielding only 3.07 percent, the yield on the 10-Year Treasury has recently rebounded. We have considered the spread between both the Aaa Corporate Bond and the 10-Year Treasury Yield and between the Baa Corporate Bond and the 10-Year Treasury Yield. The spreads are calculated as follows:

5.43% (Aaa Corporate)	-	3.95% (10-Year Treasury)	=	148 (Calculated BP Spread)
6.21% (Baa Corporate)	-	3.95% (10-Year Treasury)	=	226 (Calculated BP Spread)

We have considered Hastings to be a credit worthy tenant given the fact that that it operates 146 stores in twenty-one states and has had roughly five percent annual increases in revenue over the last several years. We have assigned a premium of 200 basis points for the lack of liquidity associated with the ownership of real estate versus bonds. An additional 50 basis points premium was added for property history. Property history takes into account the historical experience of the property in regards to occupancy, rental revenue, and NOI. Finally, the risk of the real estate under study with regard to supply and demand factors, including property location, and any environmental issues/risks must be assessed. Our familiarity with commercial retailers and investor expectations regarding these issues indicates that additional risk premiums in the range of 50 to 150 basis points for each of the following characteristics are warranted. The calculation for the risk premiums follows:

Risk Premiums (Quoted in Basis Points)									
Credit Category	**Spread (vs. 10 Year Treasury)**		**Liquidity**		**Property History**		**Market Conditions**		**Total**
Hastings/Baa	226	+	200	+	50	+	50	=	526

Therefore, the blended risk premiums indicated for the property appraised results in an R_p of 5.26 percent. The calculation is shown below.

Applying the market-derived factors to the respective variables results in an indicated yield/discount rate of:

$$K = (Rf + Rp)(1 + I)$$
$$K = (3.95\% + 5.26\%)(1 + 3.00\%)$$
$$K = (9.21\%)(1.03) = 9.49\%$$

This analysis indicated that an appropriate discount rate for the property is 9.49 percent, or rounded to 9.50 percent.

Discount Rate Surveys

We have also considered discount cash flow rate survey results for neighborhood shopping center properties compiled by the *Korpacz Real Estate Investor Survey* and *The Real Estate Research Corporation Report.* The results of these surveys are summarized in the following table:

Investor Survey	Date	Discount Rate		
		Low	High	Average
Korpacz Real Estate Investor Survey, National Power Center Market	1Q 04	8.00%	12.00%	10.33%
Korpacz Real Estate Investor Survey, National Stip Shopping Center Market	1Q 04	8.50%	12.00%	10.10%

The subject is in excellent condition and well positioned within its market. As previously mentioned, the advantages and disadvantages of the subject property are as follows:

Advantages

- Hastings is located in an economically beneficial commercial retail area. Its location facilitates easy access from 10th Avenue South, as it is located on the south side of the main arterial running through the City of Great Falls. Its proximity to the stable residential surrounding areas and close proximity to Interstate 15 lend a strong customer base to the convenience-dependent retail tenants within the surrounding areas.

- The commercial retail building located at 10th Avenue South, upon completion, is a new establishment with a creditworthy tenant in place under a long-term, fifteen-year triple net lease.

- Access to the subject is deemed to be good because of a signalized intersection along 10th Avenue South one block west of the subject at 7th Street South. Interstate 15 is specifically designed to facilitate efficient ingress/egress into the City of Great Falls.

- Hastings has had a local presence in the City of Great Falls in a poorly constructed 8,000 square foot accommodative facility. The retailers' move is expected to increase new sales by thirty to thirty-five percent. New and upgraded stores have consistently out performed older foremost stores and Great Falls is part of a strategic initiative across the chain to upgrade product merchandising and broaden offerings, this according to Stan Johnson Company, Inc.

Disadvantages

- The subject Hastings is located along 10th Avenue South on a north/south axis. 10th Avenue South runs on an east/west axis. Therefore the building stands perpendicular to 10th Avenue South. The subject therefore must be dependent on signage accessing the flow of traffic along 10th Avenue South to enable adequate visibility.

- The subject Hastings is located within what we consider to be a secondary market. We consider great Falls to be a secondary market due to its rather flat market conditions, lack of commercial retail building transactions over the past several years, and the inadequacy of available information concerning various market variables.

Conclusion of Discount Rate

Taking all of the factors into consideration, including the stable nature of the tenant, regional prominence and the successful surrounding development at the subject illustrate positive factors in consideration of an appropriate discount rate. Incorporating these factors, as well as the built-up method detailed above with a conclusion of 9.50 percent for a discount rate, we have utilized a discount rate of 9.75 percent.

Terminal Capitalization Rate Analysis

The capitalization rate used to estimate the sale price at the end of the assumed holding period is frequently referred to as a terminal or "exit" capitalization rate. Capitalization rates can generally be inferred from market transactions if there are sufficient comparable sales for which information is available. Results are best when the data are numerous and reliable, income and expenses are estimated on the same basis for all the properties involved, and the properties have similar physical and economic characteristics. In determining an appropriate terminal capitalization rate we have considered the national surveys as well as the extracted capitalization rates.

Market Extracted Capitalization Rates

In addition to the band of investment model, we have also extracted overall capitalization rates from comparable market transactions. In order to most accurately capture the current real estate investment market, we have considered sales of comparable commercial retail buildings located with similar size and physical characteristics to the subject. The following table indicates overall capitalization rates extracted from several sales.

Market Extracted Capitalization Rates

Property Name	Location	Year Built	Sale Date	Sale Price	Square Feet	Overall Cap Rate
Academy Sports	Slidell, LA	2003	Feb-03	$ 3,650,000	67,500	8.75%
Academy Sports	Lubbock, TX	2003	Dec-03	$ 4,500,000	67,500	8.15%
Academy Sports	Lufkin, TX	2002	Apr-02	$ 4,500,000	60,750	8.10%
Best Buy	Las Cruces, NM	2002	Nov-03	$ 5,859,000	30,000	8.01%
Academy Sports	Port Arthur, TX	2002	Apr-02	$ 5,000,000	67,500	8.00%
Tractor Supply	Griffin, GA	2003	Aug-03	$ 2,106,200	19,097	8.00%
Blockbuster	Vandalia, Ohio	2003	Sep-03	$ 1,326,623	5,000	7.70%
Best Buy	Lubbock, TX	2003	Jul-03	$ 6,000,000	30,000	7.30%
Average Capitalization Rate					**43,418**	**8.00%**

The table presented above indicates an overall capitalization rate (OAR) average of 8.00 percent. The OAR range is represented by 7.30 percent for Best Buy at the low end and 8.75 percent for Academy Sports at the high end.

Capitalization Rate Surveys

In addition to the band of investment model and market extracted capitalization rates, we have also considered terminal capitalization rate survey results for neighborhood/strip center properties compiled by the *Korpacz Real Estate Investor Survey* and *Real Estate Research Corporation Report.* However, it is important to note that these surveys were conducted several months prior to their release, and therefore do not accurately represent the current investment climate. The results of these surveys are summarized in the following table:

Investor Survey	Date	Terminal Cap Rate		
		Low	High	Average
Korpacz Real Estate Investor Survey, National Power Center Market	1Q 04	9.00%	10.00%	9.50%
Korpacz Real Estate Investor Survey, National Stip Shopping Center Market	1Q 04	8.00%	11.50%	9.20%

Conclusion of Terminal Capitalization Rate Analysis

Hastings is scheduled to realize stable and increasing income capacity in future years. It will be completed in May of 2004, with a stable tenant in place upon its completion. The tenant, Hastings, leased 100 percent of the subject in a 15-year lease. Considering the characteristics of the property and the market, points to a terminal capitalization rate in the 8.00 to 9.50 percent range. We have selected a terminal capitalization rate of 8.00 percent because our cash flow reflects three to four additional years of the original lease remaining at the time the revision is calculated.

Summary of Discounted Cash Flow Analysis

The present value calculation for a 12-Year holding period follows:

Property Present Value Cash Flow Before Debt Service plus Property Resale Discounted Annually (Endpoint on Cash Flow & Resale) over a 12-Year Period

Analysis Period	For the year ending	Annual Cash Flow	P.V. of Cash Flow @ 9.50%
Year 1	Mar-05	$408,500	$373,059
Year 2	Mar-06	$408,387	$340,600
Year 3	Mar-07	$408,272	$310,962
Year 4	Mar-08	$408,152	$283,900
Year 5	Mar-09	$419,143	$266,251
Year 6	Mar-10	$420,028	$243,665
Year 7	Mar-11	$419,897	$222,456
Year 8	Mar-12	$419,763	$203,091
Year 9	Mar-13	$419,625	$185,411
Year 10	Mar-14	$430,596	$173,751
Year 11	Mar-15	$431,460	$158,996
Year 12	Mar-16	$431,309	$145,151
Total Cash Flow		$5,025,132	$2,907,293
Property Resale @ 8.00% Cap		$5,391,363	$1,814,384
Total Property Present Value			$4,721,677
Rounded			$4,700,000

Based on the discounted cash flow method, we have estimated the market value of the leased fee interest via the Income Capitalization Approach, as of April 1, 2004, at $4,700,000.

Direct Capitalization Approach

The direct capitalization method is well suited as an estimation of value when both income and expenses are relatively stable throughout a holding period allowing for NOI to also be stable. Because the income associated with the subject would be reasonably predictable, with potential increases only periodic in the future, our Direct Capitalization analysis is being presented.

Overall capitalization rates can generally be inferred from market transactions if there are sufficient comparable sales for which information is available. Results are best when the data are numerous and reliable, income and expense are estimated on the sale basic for all the properties involved, and the properties have similar physical and economic characteristics. We have relied upon capitalization rates from market transactions and investor surveys. We have summarized the investor survey results below.

Investor Survey	Date	Going-In (OAR) Rate		
		Low	High	Average
Korpacz Real Estate Investor Survey, National Power Center Market	1Q 04	8.00%	10.00%	9.02%
Korpacz Real Estate Investor Survey, National Stip Shopping Center Market	1Q 04	7.00%	11.00%	8.76%

We also took into consideration the comparable sales' OAR in the "Terminal Capitalization Rate Analysis" section when assigning a Capitalization Rate to the subject property. The indicated OAR's pointed towards an appropriate OAR near 9.0 percent.

To conclude an appropriate OAR, we have given the market extracted OARs the most weight. In our analysis, we have also considered the stability of the current long-term lease and the credit reputation of the current tenant, Hastings. Considering the low-risk characteristics of the property and the market, we have selected an overall capitalization rate of 8.00 percent.

Based on our forecasted first year's stabilized net operating income, we have estimated the market value of the subject by the direct capitalization approach as follows:

Hastings Entertainment Direct Capitalization As of April 1, 2004			
Revenue		Per Square Foot	Total
Base Rental Revenue		$17	$425,000
General Vacancy	3%	(1)	(12,750)
Effective Gross Revenue		$16	$412,250
Operating Expenses		Per Square Foot	Total
Management Fee		$1	$12,750
Replacement Reserves		0	3,750
Total Expenses		$1	$16,500
Net Operating Income		$16	$395,750
Capitalization Rate			8.0%
Indicated Value		**$**	**4,946,875**
Rounded		**$**	**4,900,000**
Value per Square Foot		$	196

Based on our analysis, we conclude a value by the direct capitalization method of $4,946,875 rounded to $4,900,000.

Conclusion of the Income Capitalization Approach

Based on the two income approach methodologies, we have estimated the following values.

Discounted Cash Flow	$4,700,000
Direct Capitalization	$4,900,000

We have placed equal emphasis on the DCF and Direct Capitalization method. Accordingly, we estimate the leased fee market value by the Income Capitalization Approach is $4,850,000 as of April 1, 2004.

RECONCILIATION AND FINAL VALUE ESTIMATE

The leased fee market value results of the applicable valuation approaches used are as follows:

Cost Approach	$4,150,000
Sales Comparison Approach	$5,000,000
Income Capitalization Approach	$4,800,000

The cost approach, the sales comparison and the income capitalization approaches were used to estimate the leased fee market value of the subject property. When applicable, all three approaches to value are utilized to provide a check whereby all factors are considered in each approach. Inherent in each is an interpretation of market conditions as they affect the property. The quality and quantity of the data in each approach has been considered, along with the relevancy of each for the property.

The cost approach relies on the proposition that the market value of the properties is no more than the cost of producing substitute properties with the same utility as the subject produces. The approach is reasonably accurate in establishing replacement cost new. Due to the age of the subject property, we have employed the cost approach within our analysis. The results indicate there is substantial profit available in this deal the result of the long-term credit lease. It should be noted that our cost approach is in line with the assemblage of the prior parcels in 2003, before the long-term lease deal was signed.

The sales comparison approach involves direct comparison of the property being appraised to similar properties that have sold in the same or similar markets. Improved regional sales were analyzed to develop investment criteria for purchasers in the market. Based on the characteristics of the sales in relation to the subject we were able to arrive at an estimate of value. The sales comparison approach is considered to be reliable, and includes recent comparable sales of similar properties. However, it is difficult to refine this approach to account for lease-specific and physical condition issues. Additionally, the sales were gathered on a regional basis from among different markets. Therefore, we have placed a secondary weight on the sales comparison approach as a method to value the subject property.

The income capitalization approach includes an analysis of the factors affecting income, vacancy and expenses. The quantity and quality of the data was considered adequate to estimate economic rents and to develop appropriate discount and capitalization rates. The DCF and Direct Capitalization methods were employed to determine the present value of the property considering current and anticipated future market conditions and yield variations.

Based upon the data and conclusions presented in the attached report, it is our opinion that the leased fee market value of the subject property, as of April 1, 2004, is:

FOUR MILLION EIGHT HUNDRED AND FIFTY THOUSAND DOLLARS
($4,850,000)

ADDENDA

- Subject Photographs
- Improved Sales
- Cost Approach Support
- Legal Description
- Professional Qualifications

SUBJECT PHOTOGRAPHS

SUBJECT PHOTOGRAPHS

Exterior - Viewing Northwest

Exterior - Viewing Southwest

SUBJECT PHOTOGRAPHS

Exterior - Viewing North

Exterior - Viewing East

SUBJECT PHOTOGRAPHS

Exterior - Viewing South

Exterior - Viewing Northeast

SUBJECT PHOTOGRAPHS

Exterior - Viewing Southeast

SUBJECT PHOTOGRAPHS

Street Scene – West on 10th Avenue South

Street Scene – West on 10th Avenue South

SUBJECT PHOTOGRAPHS

Street Scene – East on 10th Avenue South

Street Scene – East on 10th Avenue South

IMPROVED SALES COMPARABLES

Improved Sale 1 – Hastings Entertainment

<u>Identification</u>	
Property Location:	Hastings Entertainment 726 10th Avenue South, Great Falls, Montana
<u>Transaction Data</u>	
Date of Sale:	June 1, 2004
Property Rights Transferred:	Leased fee estate
Sale Price:	$4,850,000
Financing/Terms of Sale:	Market
Sale price/Sq. Ft.:	$194.00
<u>Physical Features:</u>	
Year Completed:	2004
Gross Leaseable Area:	25,000 square feet
Number of Stories:	One
Overall Condition:	Good
<u>Investment Indicators</u>	
Occupancy at Sale:	100 percent
Net Income:	Not Available
Overall Cap. Rate:	8.76%
Confirmed By:	Ryan Carter, Broker, 918-494-2690

Improved Sale 2 – *Checker Auto Sales*

Identification	
Property Location:	1408 Third Street Northwest Great Falls, Montana
Transaction Data	
Date of Sale:	June 1, 2003
Property Rights Transferred:	Leased fee estate
Sale Price:	$1,377,000
Financing/Terms of Sale:	Market
Sale price/Sq. Ft.:	$197.00
Physical Features:	
Year Completed:	2003
Gross Leaseable Area:	7,000 square feet
Number of Stories:	One
Overall Condition:	Good
Investment Indicators	
Occupancy at Sale:	100 percent
Net Income:	Not Available
Overall Cap. Rate:	6.53%
Confirmed By:	William A. Ferro, MAI, (406) 761-4204

Improved Sale 3 – *Best Buy*

Identification	2280 East Lohmman Avenue
Property Location:	Las Cruces, New Mexico
Transaction Data	
Date of Sale:	November 7, 2003
Property Rights Transferred:	Leased fee estate
Sale Price:	$5,859,000
Financing/Terms of Sale:	Market
Sale price/Sq. Ft.:	$195.00
Physical Features:	
Year Completed:	2003
Gross Leaseable Area:	30,000 square feet
Number of Stories:	One
Overall Condition:	Good
Investment Indicators	
Occupancy at Sale:	100%
Net Income:	Not Available
Overall Cap. Rate:	8.01 %
Confirmed By:	Ryan Carter, Broker 918-494-2690

Improved Sale 4 – *Best Buy*

Identification	5916 West Loop 289
Property Location:	Lubbock, Texas
Transaction Data	
Date of Sale:	October 1, 2003
Property Rights Transferred:	Leased fee estate
Sale Price:	$6,000,000
Financing/Terms of Sale:	Market
Sale price/Sq. Ft.:	$200.00
Physical Features:	
Year Completed:	2003
Gross Leaseable Area:	30,000 square feet
Number of Stories:	One
Overall Condition:	Good
Investment Indicators	
Occupancy at Sale:	100%
Net Income:	Not Available
Overall Cap. Rate:	7.30 %
Confirmed By:	Ryan Carter, Broker 918-494-2690

COST APPROACH SUPPORT

REPLACEMENT COST NEW
STRUCTURAL IMPROVEMENTS
Hastings Entertainment
As of April 1, 2004

Building Type		Retail
Building Class		Good Class C
Base Square Foot Cost		$91.01
Square Foot Refinements		
	Heating System	$0.00
	Sprinklers	1.96
	Total Cost	$92.97
Height & Size Refinements		
	Number of Stories Multiplier	1.000
	Story Height Multiplier	1.000
	Floor Area/Perimeter Multiplier	0.850
	Total Multiplier	0.850
Refined Square Foot Cost		$79.02
Final Refinements		
	Current Cost Multiplier	1.060
	Local Multiplier	0.970
	Total Multiplier	1.030
	Final Square Foot Cost	$81.39
	Building Area (Sq. Ft.)	25,000
	Building Cost	$2,034,750
Total Hard Cost		$2,034,750
Total Replacement Cost New		**$2,034,750**

LEGAL DESCRIPTION

Lot 3, Block 2; Except the North 20 feet thereof, Fifteenth Addition to Great Falls, Cascade County, Montana, according to the official map or plat thereof, on file and of record in the office of the Clerk and Recorder of said County.

(According to Reel 278, Document 1224, records of Cascade County, Montana.)

Except the North 20 feet thereof heretofore conveyed to the State of Montana by Deed recorded May 4, 1995, in Block 243, Page 95, records of Cascade County, Montana.

Lot 4, Block 2, Fifteenth Addition to Great Falls Townsite, Cascade County, Montana, according to the official map or plat thereof, on file and of record in the office of the Clerk and Recorder of said County.

Except the North 20 feet thereof heretofore conveyed to the State of Montana by Deed recorded May 4, 1955, in Book 243, Page 97, records of Cascade County, Montana.

PROFESSIONAL QUALIFICATIONS

Thomas S. Helm, MAI
Manager
Standard & Poor's – Corporate Value Consulting
Chicago, Illinois

Mr. Helm is a manager in the Corporate Value Consulting group of the Chicago office of Standard & Poor's. He specializes in the appraisal of institutional grade investment property, and has appraised a wide array of real estate uses.

Experience

Mr. Helm's real estate experience spans almost ten years and includes the analysis of office buildings, regional and neighborhood shopping centers, mixed use developments, residential subdivisions, apartment complexes, hotels and resorts, industrial facilities and several specialty uses. His appraisals and consultations have been in conjunction with review and consultation, real estate portfolio valuations, internal planning, highest and best use analysis, tax analysis, financing, litigation support, sale-leasebacks, and insurable value studies.

Mr. Helm has worked on a national and international level, with services provided from coast to coast in the United States, while also performing real estate valuations within Canada and the Territory of Guam. Mr. Helm has a solid understanding of ground lease/leasehold valuations, condemnation related appraisals and review, as well as air rights valuations. Mr. Helm was formerly a manager within the Real Estate Services group at Arthur Andersen, LLP.

Affiliations

Mr. Helm is a member of the Appraisal Institute and has received the MAI designation from this organization (MAI#11624). He is also a certified general real estate appraiser in several states.

Education

Mr. Helm graduated from Drake University in Des Moines, Iowa and earned a Bachelors Degree in Business Management.

James A. Gavin

Director
Standard & Poor’s – Corporate Value Consulting
San Francisco, California

Mr. Gavin is a director in the Corporate Value Consulting group of the San Francisco office of Standard & Poor’s.

Experience

Mr. Gavin has 22 years of experience in the real estate industry and has conducted and supervised appraisals for purposes of purchase price allocation, estate planning, construction and refinance lending, and foreclosure proceedings. He has also had significant involvement on due diligence assignments relative to bank and savings and loan acquisitions.

Mr. Gavin has significant experience in managing and executing portfolio valuation engagements. Major clients that he has served include McMorgan & Company, Government of Singapore Investment Corporation (GSIC), AMB Investments, Estate of James Campbell, Pacific Eagle Holdings and CalPERS. He also managed major real estate valuation/disposition projects for Bank of America’s purchase of Security Pacific Bank and Wells Fargo Bank’s acquisition of First Interstate Bank.

Mr. Gavin also has worked on major projects for technology clients related to asset impairment, tax appeals and purchase allocation. These clients include Aerojet, Amdahl, IBM, Inktomi, Keynote Systems, Sanmina, Sun Microsystems, SUMCO, Tyco Electronics, and Zilog.

Mr. Gavin was a former principal at Arthur Andersen, LLP.

Affiliations

Mr. Gavin is a member of the Appraisal Institute where he is a past Chairman of the Northern California Experience Committee (designation #08003). He is also a member of the Institute's Ethics and Counseling Committee. He received his MAI designation in 1988. Mr. Gavin is a certified general real estate appraiser for the state of California, License # AG005296. Mr. Gavin is also a state certified appraiser in Arizona and Nevada. He is also an Associate Member of the National Association of Corporate Real Estate Executives (NACORE).

Education

Mr. Gavin received his Bachelor of Business Administration degree from the University of Wisconsin with an emphasis in real estate and urban economics in 1980. He has also taken advanced level courses in statistics and accounting in the Masters Business Program at Santa Clara University.