

Part One: Description of Business

Mission Statement

Our mission is to provide timely and accurate analysis of residential real estate values.

Vision

Our short-term Vision is to reach an optimal operating paradigm consisting of the completion of approximately sixty client appraisals each month.

Our long-term Vision is to reach a state of constant and dynamic growth in the industry, through leading and innovative marketing, that will result in a spiral of growth for our business to bring us into the ranks of the top firms in the Puget Sound Basin.

Summary of Business

Anchor Appraisal is in the appraisal business; more precisely, the business of providing clients with accurate analysis of real estate values. Anchor Appraisal focuses on the appraisal of all residential real estate including residential commercial properties such as condos, duplexes, triplexes, four-plexes and rental homes. The company completes all client appraisals under the auspices of the Universal Standards of Professional Appraisal Practice (USPAP) and in conformity with the forms designated by Fannie Mae in 2005, which are compiled and confirmed accurate by the National Association of Independent Fee Appraisers (NAIFA).

Anchor Appraisal expects that the majority of our incoming business will be clients that desire an appraisal that is compatible with the Fannie Mae 1004 (Freddie Mac 70), otherwise known as the Full Appraisal or URAR. We expect the remainder of client business will be derived from various other types of appraisals including the following:

1. The Fannie Mae 2055 (Freddie Mac 2055), otherwise known as a Drive-By, Exterior-Only Inspection or Exterior-Only Inspection Residential Appraisal Report;
2. The Fannie Mae 1004C (Freddie Mac 70B), otherwise known as the Manufactured Home Appraisal Report;
3. The Fannie Mae 1073 (Freddie Mac 465), otherwise known as the Individual Condominium Unit Appraisal Report;
4. The Fannie Mae 1075 (Freddie Mac 466), otherwise known as the Exterior-Only Inspection Individual Condominium Unit Appraisal Report;

5. The Fannie Mae 1004D (Freddie Mac 442), otherwise known as the Appraisal Update and/or Completion Report (this report re-evaluates the value of a residential property after a house has been build following a pre-building appraisal);
6. The Fannie Mae 1025 (Freddie Mac 72), otherwise known as the Small Residential Income Property Appraisal Report;
7. The Fannie Mae 2000 (Freddie Mac 1032), otherwise known as the One-Unit Residential Appraisal Field Review Report;
8. The Fannie Mae 2000A (Freddie Mac 1072), otherwise known as the Two-to-Four-Unit Residential Appraisal Field Review Report;
9. The Fannie Mae 1007 & 216, otherwise known as the Rental Property and Operating Income reports.

From the office location in Federal Way, Washington, Anchor Appraisal will conduct client appraisals in five of the seven metropolitan counties, including: King, Pierce, Snohomish, Thurston and Kitsap. Due to professional incompetence, the company will not conduct appraisals in two of the metropolitan counties (Mason, Island) nor in any other Washington county, including the remaining Western Washington counties (Skagit, Whatcom, San Juan, Lewis, Jefferson, Clallam, Grays Harbor, Pacific, Wahkiakum, Cowlitz, Clark). Upon the hiring of a second IFA appraiser, we may extend our region of operation to include Mason, Island, Lewis, Skagit or Jefferson counties.

Legal Description of Business

Anchor Appraisal of Puget Sound, LLC will conduct business as a limited liability company, otherwise known as a limited liability corporation. In the form of an LLC, Anchor Appraisal realized several advantages including freedom from personal liability in the case of lawsuit or bankruptcy.

Our Certificate of Formation was approved and signed by the Secretary of State of the State of Washington on the second of July, 2007, thus legitimizing Anchor Appraisal of Puget Sound, LLC to legally conduct business in the State of Washington until the expiration of the Certificate of Formation at the end of July, 2008, at which time the corporation's charter must be renewed.

The sole Member and Manager of the limited liability company is listed as Owen Hunter Wagenhals of Federal Way, Washington. Owen Hunter Wagenhals is also the legal registered agent and officer of the company. The place of business is listed as 30643 21st AVE SW, Federal Way, WA 98023.

All venture capital for the purpose of initial company startup will be paid in full by Stanley Richard Wagenhals. For this reason, Stanley Richard Wagenhals will have significant sway in the initial direction of the company. The venture capital will be repaid in full by Owen Hunter Wagenhals upon reaching a stable level of client inflow. After the point at which all venture capital has been repaid in full, Stanley Richard Wagenhals will have no legal entitlement to management decisions made in the name of Anchor Appraisal of Puget Sound, LLC.

Competitive Edge

Competition

- A. Appraisal One—www.appraisalone.com
Based in Bellevue, Washington, Appraisal One has been in business for over 17 years. They are a large firm and will be tough competition. Appraisal One has a good reputation and has already been well-established on the internet and for this reason, they have very good Search Engine rankings. Appraisal One has a simple, easy to use website with only one graphic and one logo. The company conducts business in nearly all Western Washington counties. Primary Strength: Experience in the industry, Bellevue Location
Primary Weakness: None apparent
- B. Lamb Hanson Lamb—www.lambhansonlamb.com
Similar to Appraisal One, Lamb Hanson Lamb is a large firm that is well established and well-reputed in the Puget Sound Area. Based in Seattle, the company has been doing business in the Northwest since 1916 and currently operates in five states including Alaska, Idaho, Montana, Oregon and Washington. Lamb Hanson Lamb offers more services than just residential real estate appraising. The company offers a wide range of services from residential and commercial appraising to consulting and litigation. The company has a more detailed website with a flash video and several graphics. Despite their good standing reputation in the Seattle Area, they haven't succeeded in outstanding Search Engine Optimization and aren't listed among the top search results.
Primary Strength: Trusted name in the industry
Primary Weakness: Failure in Search Engine Optimization, cluttered website
- C. Apple Appraisal—www.seattleappraisers.com
Despite their complete disregard for customer service and customer satisfaction, Apple Appraisal continues to bring in tremendous amounts of clients from all over the United States. The most likely reason for this is the company's impeccable rankings among Search

Engines. Based in Federal Way, Apple employs several employees and operates in all metropolitan counties and many other Western Washington counties.

Primary Strength: Search Engine Optimization

Primary Weakness: Poor customer service and satisfaction

D. Smaller Firms and Independent Appraisers

Through various research endeavors on the internet, it seems as if there are between one and two hundred smaller firms and independent real estate appraisers in the Puget Sound Basin/Seattle Metropolitan Region. There are a wide range of reasons why these independent appraisers are or aren't wildly successful in their business. Many of these independent appraisers and companies have websites; some offer Visa and MasterCard payment methods. Some offer service across the Puget Sound Basin, while others are very local and only offer service to their county or even city.

Primary Strength: The sheer numbers of these smaller businesses threaten the growth of Anchor Appraisal of Puget Sound, LLC. They are all vying for good search engine ranking and the sheer numbers of competitor websites create a vacuum that prevents possible clients from reaching Anchor Appraisal.

Primary Weakness: Many of these independent appraisers do not have a good understanding of business or marketing practices. There is also the possibility that they do not understand technology enough to either build or maintain a website. Anchor Appraisal, therefore, has a knowledge advantage over most of these smaller companies.

Competitive Advantage

Anchor Appraisal will compete on a basis of service and quality. While other companies (e.g. Apple Appraisal) struggle to provide welcoming customer service, Anchor Appraisal will strive to provide warm customer service and deliver satisfaction. We will also provide quality work. Customers will never receive poor-quality appraisals.

We will not compete on a basis of price. In an industry of uniform standards, such as the appraisal industry, most companies charge roughly the same amount for each type of appraisal completed. Therefore, Anchor Appraisal will charge the industry average for each appraisal.

We can do what they can do, better. We will provide quick, quality work with a smile.

Part Two: Management

Owen Hunter Wagenhals, Manager

Education

Owen Hunter Wagenhals attended both Highline Community College and Western Washington University, graduating from the latter in 2006 with a Bachelor of the Arts degree in Business Administration—International Business. His primary concentrations of study were Business Administration/Management, International Business, Marketing and Spanish Language. In addition, he received his Associate of the Arts degree in Business from Highline Community college.

Work Experience

- i. YBM ECC Academy, Daegu, Republic of Korea (2006-2007)
- ii. Holland America Line, Anchorage, AK; Canada (2004-2005)

International Experience

- iii. Spanish Language Courses (1998-2004)
- iv. Korean Language Courses (2000-2002)
- v. Cultural/International Exchanges: Korea (2001), Mexico (2002)

Leadership Experience

- vi. Student Government, Highline College (2002-2003)
- vii. Korean Language Club President (2000-2002)

Part Three: Marketing Plan

The Appraisal Industry

Although not hypercompetitive, the appraisal industry in the Puget Sound area is a relatively competitive sector of the economy. Due to the fact that it is an information-based industry, the competing businesses have moved toward the use of the internet to promote and conduct business in the industry. For this reason, the appraisal business is entering the modern age of technology, thus creating a more dynamic arena for competition. In this industry, competition is no longer dominated by marketing assaults between large brick-and-mortar firms that are competing for clients. The industry now includes hundreds of Independent Fee Appraisers who, with the help of the internet, are putting out their shingles and entering the competition. As this industry moves online, the new marketing assault is going virtual as every firm battles for rewarding placement in search engine results and online directories.

The best method of reaching clients, then, is to achieve good standing in search engines and directories. Companies that can achieve this good standing receive almost unlimited opportunity for success. Many of the clients in this industry are not from the Puget Sound Area. They are lenders and financial institutions from other parts of the country that need infrequent assessment of property values in the Puget Sound Area. For these clients, it is a simple search online to find an appraiser for the job. Therefore, companies with high search engine rankings are chosen more frequently by clients across the country, thus giving them high success in the industry.

There are several niche markets in the appraisal industry. The primary niches are: residential appraisals, commercial appraisals, condominium appraisals, PMI removal and Appraisal Management Company (AMC) contracts. Anchor Appraisal of Puget Sound will focus on the residential appraisal niche including condominium appraisal and small residential income property appraisals. The company will not conduct business in the commercial appraising sector. Save for commercial appraising, Anchor Appraisal will not turn down any appraising work that falls under the residential category. For more information, please refer to the "Summary of Business" section.

For information on industry competitors, please refer to the "Competition" section.

Potential Customers

Due to the fact that the average homeowner has the ability to find the value of their homes at no cost, Anchor Appraisal will not market solutions to consumers. Rather, our primary market will be lenders and financial institutions, as appraisals are required to write loans. The best way to reach these customers will be to have an appropriate advertising strategy on the internet. The best way to retain these customers will be to provide them with prompt and friendly service.

Service Benefits

A homeowner is required to purchase an appraisal to assess the value of their property before a financial institution will write a loan. A loan officer is required to obtain confirmation of a homeowner's property value before he or she can write a loan. Therefore, the appraisal report actually benefits two parties. The homeowner can receive a loan and the loan officer can sell a loan.

Geographical Focus

From our office location in Federal Way, Washington, we will conduct client appraisals in five of the seven metropolitan counties, including: King, Pierce, Snohomish, Thurston and Kitsap. Due to professional incompetence, we will not conduct appraisals in two of the metropolitan counties (Mason, Island) nor in any other Washington county, including the remaining Western Washington counties (Skagit, Whatcom, San Juan, Lewis, Jefferson, Clallam, Grays Harbor, Pacific, Wahkiakum, Cowlitz, Clark). Upon the hiring of a second IFA appraiser, we may extend our region of operation to include Mason, Island, Lewis, Skagit or Jefferson counties.

This, however, is merely the area of operation of Anchor Appraisal. Our clients will come from a pool of lenders across the country. Therefore, our advertising plan will be internet-based so as to reach the most number of potential clients possible.

Distribution

It is the prerogative of the client to request a report distributed in a certain way. The majority of appraisal reports distributed to clients are requested to be sent through an internet-based process called Electronic Data Interface (EDI). This is a simple method of distributing reports; it is similar to an email system. The remaining few reports may be requested sent via an overnight distributor, such as UPS or FedEx. Each report,

regardless of distribution method, will be printed and stored for easy future access.

Advertising

The advertising for Anchor Appraisal will consist almost entirely of internet-based advertising schemes. There are three ways in which Anchor will be advertised.

The first method of internet-based advertising will be "Pay-Per-Click." PPC advertising is relatively inexpensive and the company is only charged if someone actually clicks on the advertised link. The three most used search engines all offer this method of advertising including Google, Yahoo and MSN. Anchor Appraisal will reserve a budget of between one and two dollars per day for each advertiser.

The second method of internet-based advertising will be enrollment in online directory services for appraisal companies. These e-directories charge clients a certain amount for each county in which they are listed. Fees range between \$100-300 per year for listings. Example companies include www.appraiserUSA.com, www.appraisercentral.com, www.VIPappraiser.com and www.getbestappraiser.com.

The third method is Search Engine Optimization (SEO). This is a very worthwhile effort, especially considering that there is no cost as long as an SEO company is not hired. There are several ways in which to optimize search results including creating ethical link farms, ethical meta tag stuffing, site content reduction, "behind-the-scenes" verbiage for site content and listing with individual search engines.

Public Relations

At this time, Anchor Appraisal will not pursue any activities for the sake of public relations due to the fact that the company is nearly invisible to the public eye. We will not, however, discard the idea of public relations because it may be a good tool for the future.

Pricing

The following fee schedule incorporates the pricing for all services provided by Anchor Appraisal in all areas of operation including King, Pierce, Snohomish, Thurston and Kitsap counties.

Residential Appraisal Fee Schedule

Single-Family Residences

Form 1004 URAR (Full Appraisal)	\$400
2055 Drive-by (Exterior Only)	\$325
1004C Manufactured Home	\$400 *
1073 Condo	\$400
1075 Condo Drive-by (Exterior Only)	\$325
1004D (442) Appraisal Update	\$100-200
2000 Field Review	\$325 *
Desk Review	\$150 *
Construction Progress Report	\$100 *

Multi-Family Residences

1025 Income Property (2-4plex) + FNMA 216	\$600
2000A Field Review (2-4plex)	\$525 *

Other Forms

1007 & 216 Rental Property & Operating Income	\$150
Vacant Land--Under 5 Acres	\$400
Vacant Land--Over 5 Acres	Call for Quote
REO/RELO/REPO/BPO	Call for Quote

Miscellaneous Fees

Additional Trip Fee	\$100
Cancellation After Inspection	\$200
Additional Dwelling Unit (ADU)	+\$100
Jumbo	\$500
Complex Property	Call for Quote

All fees are subject to change. Please request a quote for the most accurate rate.

** Real estate appraisal fees may increase with complexity. Please call for quote.*

Terms of Sale

Anchor Appraisal will collect payment in several forms including cash or check at the door. Anchor Appraisal will also use Merchant Accounts with Visa, MasterCard, American Express and Discover to complete sales with ease. The company will either collect credit card information at the door or over the phone during appointment scheduling.

The company will also invoice the client or homeowner if the need exists. However, as it is our goal to maintain the level of unpaid debts as low as possible, we will retain a policy to prefer the aforementioned methods of payment. If client or homeowner fails to pay for services already rendered and an account remains delinquent for an unreasonable period of time, a collections agency will be hired to collect the unpaid debts.

Part Four: Operations

Employees

For the time being, Anchor Appraisal will have one employee—Owen Wagenhals, Member/Manager. Owen Wagenhals will manage and conduct all aspects of business for Anchor Appraisal. The company will contract with Stan Wagenhals on a per-job basis.

Compensation

As Anchor Appraisal is a limited liability company with one sole member, it will be operating—on a financial basis—as a sole proprietorship in regards to the fact that all net revenues of the business will be considered as compensation for Owen Wagenhals, the sole member of Anchor Appraisal of Puget Sound, LLC. While all net revenues will be considered as compensation for the sole member, it will be up to the discretion of Owen Wagenhals to leave appropriate amounts of monetary capital in the business each month.

Stan Wagenhals will be compensated on a contract basis. He will receive a fifty-percent commission for each completed appraisal. Stan Wagenhals is eligible to receive a fifty-percent commission on any appraisal completed, regardless of the form requested. Additionally, Stan Wagenhals will receive one hundred percent of the fees received that were accrued through “trip fees.”

Vendors and Outside Resources

The majority of cash outflow from Anchor Appraisal will be towards real estate data centers. In the short run, the company will hire the services of NWMLS for real estate data. In the long run, the company will attain the services of Transamerica Intellitech—RealQuest (formerly Metroscan). These companies will be paid on a yearly basis.

Accounting and Bookkeeping

At this time, Anchor Appraisal will not hire the services of an outside accountant, nor will the company hire a full-time in-house accountant or controller. All financial data collecting, processing and accounting and all other activities involved with the daily activities of a corporate controller, will fall under the auspices of work to be completed by the sole member of Anchor Appraisal, Owen Wagenhals.

The company will purchase the rights to use accounting software for the ease of financial data processing.

Risk Management

A. Poor management

One of the risks of running as business is that the management will be unable to facilitate the successful implementation of the business plan. This will not happen. Failure due to poor management is not an option.

B. Lack of Media Impression

In the internet market, in which Anchor Appraisal would like to be positioned, there is always the risk of failure due to lack of media impression or poor advertising. The best way to eliminate this risk will be to monitor advertising strategies for the purposes of stopping poor advertising campaigns and adding additional funding to campaigns that receive the most attention. If there are very little media impressions being made, the best thing will be to add more money to advertising campaigns or re-organize the campaigns to try to bring more customers to the website.

C. Poor Market Conditions

If market stagnation becomes a problem, the company will branch out away from residential appraisals for lenders and incorporate other marketing plans, such as PMI reduction advertising. The company will also try different marketing methods such as cold calling.

D. Oversaturated Market

Another possible risk is the over-saturation of the current market due to a heightened level of real estate appraisers in the Puget Sound Basin. If this dilemma were to present itself, the best route to take will be to simply become a leader in the industry by means of providing higher-quality and more-reliable services to our clients.

E. Hypercompetition

This form of competition, involving the constant flux in competition based on price and quality, can result from the combination of market over-saturation and internet marketing. The best way to hedge against the risks involved with hypercompetition is to constantly monitor the markets and the competition. This will be done.

F. Lawsuit

In this industry, there always exists the possibility of lawsuit. In order to best hedge against this risk, Anchor Appraisal will accept appraisals under the auspices of the law and complete appraisals as accurately as possible to prevent the risk of lawsuit.

