

**BuySellWebsite
Website Appraisal Report For:**

California Apartment Dwellers, LLC

Including URL of:

<http://www.AptsCalifornia.com>



August 6, 2014

**Submitted by Sarah Blaker
Senior Website Appraiser
(800) 343-5227**

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Report Introduction

RE: California Apartment Dwellers, LLC

Aug, 6th, 2014

Dear Mr. John Rounder:

Per your request, we have prepared a complete website appraisal based upon the information that you have provided, as well as information we have collected. The purpose of this appraisal is as follows:

- To provide a professional unbiased appraisal that establishes a value for the website. Please note that this goal has been accomplished by applying our proven valuation formula after careful analysis of website traffic, value of that traffic, financial patterns, profitability, and content value.
- To provide a unique assessment of the site that includes factual information, statistics, analysis, and summaries that will be of high value and interest to both you and potential buyers or investors.
- To provide the site owner with a stronger understanding and additional insight regarding methods and means that will result in a more productive website.

Please note that we are appraising the Internet properties of the above company as of April 30, 2009. More specifically, we are appraising the Internet based business for that company and domains listed. Our appraisal does not include any subsidiaries, entities, parent company, etc.

As you know, we hold the information that you have provided, as well as the information contained in this report, in the strictest of confidences. We will not be releasing any of this information to any outside parties without proper authorization. Although we retain ownership of said appraisal, we grant you the right to release this information to additional parties for the purpose of improvement or sale of said websites.

I wish to thank you for the opportunity to provide this appraisal. If you have any questions or concerns, please do not hesitate to contact me at (800) 343-5227 or by e-mail at SBlaker@buysellwebsite.com.

Sincerely,

Sarah Blaker
Senior Appraiser – BuySellWebsite®
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EXAMPLE APPRAISAL

Section 1 - Introduction to Appraisal

The following information has been compiled to provide a brief introduction to the website being appraised and further discussed throughout this appraisal:

Company Name: California Apartment Dwellers, LLC

Domain name: www.AptsCalifornia.com

Appraiser: Sarah Blaker

Date of Request: Aug 1st, 2014

Reason for Appraisal: To attract investors.

Current Operating Address:

39 W. 14th Street Ste. #204 - San Francisco, CA 94101

Buyer phone number: (419) 954-1695

Current site owner: California Apartment Dwellers, LLC (John Rounder and partner)

Year established: 2003

Unique Visitors: 50,500 per month

Revenue per month: \$68,000

Net Income per Month: \$23,000

Based on a nine and twelve month multiplier and Content Value of 20%*

The Estimated Value Range is: \$316,575 to \$422,100

*Please see section 11 for complete breakdown of Valuation Formula.

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Section 2 - Establishment of Credibility

In order for the appraisal to have the accuracy demanded by the marketplace, we have established that our company is reliable, that our valuation methodology is consistent, and that our staff are trustworthy. The following sections will further detail these qualifications.

Section 2.1 - Reliability of BuySellWebsite

BuySellWebsite® has provided appraisals for Web Businesses throughout the World, including Europe, Australia, and North America. The company is in its' thirteenth year of appraising websites, with appraisal values ranging from \$2,500 to \$2,500,000 million.

Section 2.2 - Reliability of valuation methods

BuySellWebsite® has been successful in establishing a value methodology that can be applied to virtually any Website. The principles of appraisal methods are consistent and reliable; however, a strong understanding of how to apply those principles to each unique situation results in fair and accurate assessments.

The company has proven its ability to adapt its methodology to meet the diverse array of website applications. Furthermore, the following classifications of websites have been appraised in the past and will highlight the diversity and accuracy of appraisal methods and formulations:

- Websites with minimal revenues and sites with \$3 million revenue per month.
- Websites that are newly established and sites with Internet history of up to eleven years.
- Websites with unique visitors as low as 5,700 and sites with unique visitors as high as 1.6 million per-month.
- Websites that have been created to provide information without the motive of profits, sites that generate revenues through ad sales or membership fees, and sites that offer services or products for the purpose of generating profits.
- Websites from a wide range of industries catering to unique target markets including technology (computer sales, internet marketing, instant messaging services, search engines, etc.), employment and careers (work from home, recruiting, resumes, etc.), health (natural and herbal supplements, health advice etc.), services (resume writing, dating, etc.), home decorating, financial advice, sports, entertainment (dating, community, adult, puzzles, local, informational, writing, children's education, etc.), and specialty goods (bridal gowns, murals, etc.)

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Section 2.3 - Reliability of Your Appraiser

Sarah has been a **Senior Website Appraiser** since April of 2002 and has over five years of experience as a website appraiser. In 2008, she completed her CeM (Certification in eMarketing) through the eMarketing Association. She is a graduate of Kansas State University with a degree in Accounting. She has more than 20 years of business experience including accounting, management, operations, and marketing.

Her professional career includes establishing and operating several successful Internet businesses and serving a Fortune 300 company in a full time consulting role. Sarah has more than 12 years experience appraising websites and has valued more than \$35 Million dollars worth of Internet properties.

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Section 3 - Appraisal Methodology and Processes

The relative valuation of websites and Internet properties is based upon the following critical factors:

- Valuation of website traffic
- Valuation of financial patterns and profitability
- Content value relative to competition and visitor expectation
- Monthly multipliers

The above factors are utilized in combination to establish and document the value of the Internet property. All of the above factors will be further discussed under their respective report sections.

Section 3.1 - Sources of Information

The report initiator has provided information to our company to assist us in the appraisal process. That data may include website statistics, history, financial statements, and other information pertinent to this appraisal. Please note that there may be biases in providing that information to our appraiser. We will certainly verify information as possible; however, it is not possible for us to provide verification or project with certainty the absolute reliability of all information provided to us. Readers of this report are strongly encouraged to consider this disclaimer before making any financial investments or decisions.

Section 3.2 - Verification of Information

Our research involves a large number of Internet resources for the purpose of verification and detailed analysis. Those resources may include (but are not limited) to the following online resources:

webtrends.com, toolbar.google.com, linkpopularitycheck.com, marketleap.com, webposition.com, alexa.com, deepmetrix.com

Site popularity may also be measured through alltheweb.com, yahoo.com, altavista.com, aol.com, google.com, hotbot.com, search.msn.com, and dmoz.com. Please note that each appraiser is responsible for determining which Internet tools provide the greatest validity to this appraisal.

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Section 3.3 - Limitations

In the preparation of this report, the appraisal may include forward-looking statements that are based upon prior performance and reasonable projections. We are not a licensed real estate or business appraiser. We do not claim to have audited in any way the financial reports and information provided to us.

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Section 4 - Website Introduction and History

The website was established in 2003 by California Apartment Dwellers, LLC. The site owners John Rounder and his partner were in the real estate industry in California and were seeking an online venue to increase their sales and revenues. Per site metatags, the site can be described as follows:

Title - Apartments Rental California, Apartment Rentals.

Description - California City apartments for rent. LOS ANGELES Apartments. Laguna Beach apartments. Laguna Beach apartment rentals and sales, Best Free Apartment Finder in California City - LOS ANGELES, Queens, Brooklyn, Bronx, Westchester rentals

Keywords - California apartments, California city apartments, Laguna Beach apartments, California, Los Angeles apartments, apartments, California rentals, Laguna Beach rentals, Los Angeles rentals, California real estate, Laguna Beach real estate, California city real estate, rentals in Laguna Beach, Los Angeles dwellers, real estate, rentals, apartment rentals, student housing, upper Laguna Beach, washington heights, upper east side, upper west side, the bronx, brooklyn, wall street, lower east side, midtown west, west village, battery park city, spanish harlem, staten island, gramercy park

The site can also be described as follows per the About Company page:

California Apartment Dwellers, LLC is a Licensed Real Estate Broker exclusively specializing in residential apartment rentals in Laguna Beach. Our team (a group of top performing agents) has acquired the best traditions as well as expertise in Laguna Beach Apartment Rentals through years of experience.

Extremely well organized and strong listing department with five dedicated employees, the very best location in Laguna Beach, well educated and experienced management and sophisticated web support makes our company one of the best choices for California City apartment hunters as well as Real Estate agents.

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Section 5 - Analysis of Traffic Value and Traffic Patterns

Traditional business appraisal methods in the brick and mortar business community fail to adequately consider the value of Internet traffic in relationship to the total value of the Internet property. Traditional appraisal methods cannot be easily adapted for Internet applications since the business foundations are so dissimilar in nature. Many within the brick and mortar business community simply do not understand that website traffic has an inherent value and could easily be the greatest asset of many Internet businesses.

Conversely, webmasters and developers understand the difficulty and exhaustive efforts in acquiring and maintaining website traffic and high visitation statistics. Therefore; they tend to believe that there is a direct correlation between the amount of the efforts and value of the traffic. Traffic cannot be valued upon the efforts applied to obtain traffic, but must be measured based upon the market rate of acquiring said traffic.

Section 5.1 - Current Traffic Patterns

For the purpose of this report, we have utilized statistics provided by the website buyer. We have made every attempt to verify its accuracy through third party reporting. All statistics are based upon averages of the last three months (February through April) unless otherwise noted.

The site had an average of 50,500 unique visitors each month. This number is not the number of hits or page views to a site. For instance, if one person visits the site twice within a month, this would only count as one unique visitor.

The site had an average of 55,000 total visits per month. Total Visits can be defined as the number of total visits or sessions during the month. A unique visitor may be included in this statistic more than once if they visit the site multiple times during the month. Average visitor is responsible for 1.08 visits during the month.

The site has an average of 475,000 page views each month. The average unique visitor is responsible for 9.4 page views per month.

Traffic to any given site is rarely fully exploited. There are always additional ways to create revenue from the current traffic. Examples include enhancing the current website to increase the sales to visitors' ratio; more effectively collecting email addresses and marketing to them; or selling advertising on the website. This is the reason why traffic is valued in addition to the other factors that create value for the site.

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Furthermore, traffic is fairly stable throughout the year. Traffic has been increasing in recent years. In 2007, the same time period (February through April) had 27,418 unique visitors. During 2013, the same time period had 37,400 unique visitors (which represented a growth rate of 36% over 2012). 2014 traffic numbers indicated a growth rate of 35% over 2013.

Section 5.2 - Target Market and Marketing Efforts

Target market can be defined as any individual or tenant that may be seeking rental properties in California and related information.

Newsletter has not been utilized to increase return traffic.

Offline advertising has not been used to seek new visitors; however site buyer stated that the site has received positive press coverage.

Section 5.3 - Traffic Sources

Traffic sources at present are:

92% from search engines (87% from Google)
6% from direct entry
2% from referrals

Most prominent key phrases are:

LOS ANGELES apartment rentals
Apartments in California
California apartments
LOS ANGELES rentals
Apartments in New York
California apartments for rent
Laguna Beach apartments
LOS ANGELES apartments
LOS ANGELES apartments for rent
Laguna Beach rentals

Search engine placement was described as strong. Strong link placement has been beneficial in obtaining additional website traffic.

Per MarketLeap, the site was listed as follows for the related key phrases:

Search term – apartments in California

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First page placement for three sites
No placement within the first three pages for the remaining three sites

Search term – LOS ANGELES apartment rentals

First page placement for five search engines surveyed.
No placement within the first three pages for the remaining site.

Search term – apartment in California

First page placement for three site search engines surveyed
No placement within the first three pages for the remaining three sites

Search term – California apartments

First page placement for three search engines surveyed
Second page placement with one search engine
No placement within the first three pages for the remaining two sites

Search term – apartment in California

First page placement for all six sites

Furthermore, first page placement was listed with all five terms for Google, but the site was only listed under one term with Yahoo. Search engine placement was strong and impressive - given the high degree of competition for the related keywords.

Search engine saturation was described as very strong. Per MarketLeap, there are a total of 42,399 pages listed with the three search engines surveyed. Results were as follows:

16,200 pages with Google/AOL
390 pages with MSN
25,809 pages with Bing

Alexa ranking was strong with a placement of 343,719 – which placed this website in the top two percent of websites worldwide.

Pay per click campaigns are not currently used due to strong search engine placement.

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Section 5.4 - Future Recommendations

Traffic growth rate over the past two years has been 35% each year. Current site owner has established strong traffic patterns with impressive organic search engine placement and link referrers. New site owner should continue to research options for further enhancing website traffic.

New site owner should focus on increasing return traffic. At present, return traffic numbers are lower than expected.

Section 5.5 – Traffic Valuation Formulation

50,500 Unique Visitors x Unique Visitor Value of .125 X 12 months equals \$75,750. Twelve-month multiplier is further discussed in Section 8.

(Please see section 11 for complete breakdown of formula.)

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Section 6 - Financial Analysis

All financial computations for this report have been based upon the average of the last twelve months reported. The averaging method applied results in a more accurate appraisal and will minimize the effects of extremes while providing data that is relevant and timely. For the purpose of this report, all financial data is derived from 2008 averages.

Section 6.1 - Revenue Sources

Revenue has averaged \$68,000 per month. 96% of all revenues are derived from rental transactions and the remaining revenue is from Google ad revenue.

Section 6.2 - Expenditures

Expenses averages \$40,000 per month. Expenses can be summarized as:

- \$32,500 for real estate agents
- \$7,500 for office team located within US and related operating expenses
- \$5,000 to overseas team

Net income averages \$23,000 per month.

Section 6.3 - Analysis and Recommendations

Site owner has established revenue streams from existing traffic, but new site owner should focus on further enhancing revenue streams from the New York rental industry.

Please note that sections 12 and 13 details future projected financial data and related revenue goals.

Section 6.4 - Financial Valuation Formulation

Average net income of \$23,000 per month x 12 months = \$276,000.

(Please see section 11 for complete breakdown of formula.)

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Section 7 - Content Value

Content value can arguably be the most important aspect of the appraisal process. By its nature, it requires a neutral third party to adequately assess content value and evaluate components such as design factors, site navigation and organization, and content appeal in relationship to the targeted market.

Content value will either increase or decrease the monetary value established within the appraisal formulation after traffic and financial analysis. Content value is expressed in terms of a percentage as determined by the appraiser and is based on their professional opinion of the sites uniqueness, domain name, professional design, proprietary software, and market potential - as well as any other factors that would either make the site more or less valuable. It can also reflect how this site compares to other sites similar in nature or compares to the expectation of the anticipated visitor.

Section 7.1 - Design Factors

Design factors will determine the visitor's initial impression of the site and will have great influence within the first 15 to 30 seconds of the visit. If the design is faulty and is not considered to be attractive, the site will be less likely to retain high visitation patterns. Initial impression was strong. Overall design is described as strong with good usage of graphics and color.

Section 7.2 - Site Navigation/Organization

Site navigation can be defined by the visitor's ease in locating the information that is of importance to that particular visitor. If the navigation is faulty or difficult, the likelihood of high visitation patterns is significantly reduced. This site was rated strong in regards to navigation with links throughout the pages.

Section 7.3 - Description of Content

Site content is strong and thorough. It is very apparent that site owner has worked diligently to create a content rich site. Data entry has been outsourced to an overseas team of five people.

Site back end functionality appears to be strong and impressive. For example, tenants are able to quickly locate potential property through strong search functions including a clickable map.

Furthermore, site also has strong database with detailed information regarding properties and property managers. At present, the site has detailed information regarding 900 California buildings from 300 property management companies and an

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estimated 30,000 images of those properties. Relationship building with property managers has clearly been highly valued by site owner and is an asset that can be capitalized in the future to further enhance revenues.

Site content generates over 600 rental leads each month. Those leads certainly have strong value amongst property managers and the industry.

Section 7.4 - Recommendations

Recommendations for future content expansion are clearly dependent on the strategic plan for the site. At present with current missions, content is certainly strong.

New site owners should focus to increase visitor to lead conversion rates.

Section 7.5 – Content Valuation Formulation

The site was given a content rating of +20%.

(Please see section 11 for complete breakdown of formula.)

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Section 8 - Multipliers

Multipliers are an integral part of our appraisal formulation. Once a multiplier has been selected for each unique website situation, the multiplier will determine the net effect of financial and traffic analysis.

Section 8.1 - Established Multipliers

Websites that have been operating for some time have been able to provide the appraiser with substantial history regarding the financial patterns and the traffic patterns. It is reasonable to assume that the past expectation will predict or project the outlook for the future. In these cases, we would apply the multipliers of nine and twelve – which represents nine and twelve months respectively. These appraisals will result in a value range.

Section 8.2 - Newly Established Multipliers

Websites that have been operating for a relatively short period of time are extremely difficult to appraise since they have not yet established financial patterns and traffic patterns. Therefore, it is only reasonable that the multipliers applied throughout the valuation process would be significantly less than the multipliers of established websites. In these cases, the appraiser may apply a multiplier that is significantly less.

Section 8.3 - Valuation Formulation

The website was determined to be an established website since it has substantial history that can be reviewed and utilized to project future outlook. Therefore, we have applied the nine and twelve month multiplier. The website value will reflect the nine and twelve month multipliers.

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Section 9 - Current Management

Another consideration that potential investors and purchasers should consider is the complexity in operating the site and involvement by management in daily operations. The time and expertise invested must also be considered as well.

Section 9.1 - Management Activities

Agents are located in the New York area, while other functions are outsourced overseas in order to minimize expense. The United States team consists of New York agents with commission based fees and independent contractor status. The overseas team consists of five employees with the primary role of database management and data entry.

Section 9.2 - Expertise Required

Elegran has strong ties to the New York real estate industry and are in a strong position to further capitalize on site traffic.

Section 9.3 - Future Recommendations

New site owner should bring forth a strong strategic plan to increase market penetration, increase conversion rates, and generate stronger revenues.

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Selection 10 - Additional Sale Information

The following information may be considered relevant specifically to the potential investment or sale of the website.

Section 10.1 - Support Available

Current site owners will be available for a period of three months to assist the new site owners. Current site owners will be removed from day to day operations and will assume an advisory role during that period.

Section 10.2 - Assets Included

This appraisal includes the website domain, related content, and website design. There are no physical assets, but there are numerous other assets including:

- Database functionality and design
- Proprietary information with 30,000 photos, 900 buildings, and 300 property management companies.
- Existing relationships with real estate managers
- Continuous supply of tenant leads

Section 10.3 - Purpose of Sale

Current owner is selling the website since that company is exiting the real estate industry.

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Section 11 - Present Valuation Summary

This website has a profitable revenue stream with strong website traffic due to impressive organic search engine placement. New site owners are in a position to further capitalize on existing website traffic and will bring forth a strategic plan to further penetrate the market and explore additional revenues streams from placement within the industry.

The appraisal value as stated below represents the current value of the website based upon the most recent financial data and recent traffic patterns.

Valuation Formulas

$(12 \times (\text{Net Income Average})) + (12 \times (\text{Unique Visitor Average} \times \text{Unique Visitor value})) \times 1$ plus the Content Value = **High Value for Website.**

$(9 \times (\text{Net Income Average})) + (9 \times (\text{Unique Visitor Average} \times \text{Unique Visitor value})) \times 1$ plus the Content Value = **Low Value for Website.**

* Unique Visitor value = $\frac{1}{2}$ the value of the top fifteen bid placements on Google AdWords for a relevant keyword.

* Net Income Average and Unique Visitor Average are from the last three months.

-- Actual Numbers used in Appraisal --

$$\begin{aligned} & ((12 \times (23,000)) + (12 \times (6,313))) \times 1.2 = \$422,100 \\ & ((9 \times (23,000)) + (9 \times (6,313))) \times 1.2 = \$316,575 \end{aligned}$$

Based on these formulas the website has a...

- **High Value of: \$422,100**
- **Low Value of: \$316,575**

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Section 12 - Valuation Summary - Year one

New site owner's strategic plan is projected to increase revenue, increase traffic, and reduce expenses. Mr. Rossi provided the following projections for revenue:

- 50k a month in revenue from rentals and/or rental company relationships
- 50k a month in revenue from sales (adding a sales component to the website where there currently is only rentals)
- 20k month in advertising (we will be adding an advertising component to the site which does not exist)

Increased revenue projections are based upon increasing the number of relationships with property managers, creating strategic partnerships with property managers, focusing on buildings with high commission levels, and increasing advertising within the site.

Site expenses at the end of year one are projected to be \$50,000, so net income is projected to be \$70,000 per Mr. Rossi.

Monthly unique visitors is projected to increase to 75,000 - which represents a growth rate of 48% over current statistics. Furthermore, Mr. Rossi stated that traffic will increase due to additional optimization for search engines, addition of new content, increase in number of links, and redesign of the site.

The following valuation is based upon projections provided by Mr. Rossi.

Valuation Formulas

$(12 \times (\text{Net Income Average})) + (12 \times (\text{Unique Visitor Average} \times \text{Unique Visitor value})) \times 1$ plus the Content Value = **High Value for Website.**

$(9 \times (\text{Net Income Average})) + (9 \times (\text{Unique Visitor Average} \times \text{Unique Visitor value})) \times 1$ plus the Content Value = **Low Value for Website.**

* Unique Visitor value = ½ the value of the top fifteen bid placements on Google AdWords for a relevant keyword.

* Net Income Average and Unique Visitor Average are from the last three months.

-- Actual Numbers used in Appraisal --

$$\begin{aligned} ((12 \times (70,000)) + (12 \times (9375))) \times 1.2 &= \$1,143,000 \\ ((9 \times (70,000)) + (9 \times (9375))) \times 1.2 &= \$857,250 \end{aligned}$$

Based on these formulas the website has a...

➔ **High Value of: \$1,143,000**

➔ **Low Value of: \$857,250**

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Section 13 - Valuation Summary - Year two

At the end of year two, the projections provided by Mr. Rossi were:

- 120,000 unique visitors (which represents a growth rate of 60% over year one)
- Revenue of \$170,000 per month based upon \$50,000 from rentals and rental company relationships, \$100,000 per month from sales, and \$20,000 per month in advertising revenue.
- Monthly expenses of \$75,000 per month.
- Net income of \$95,000 per month

Based upon those projections, the projected appraised value at the end of year two is detailed below.

Valuation Formulas

$(12 \times (\text{Net Income Average})) + (12 \times (\text{Unique Visitor Average} \times \text{Unique Visitor value})) \times 1$ plus the Content Value = **High Value for Website.**

$(9 \times (\text{Net Income Average})) + (9 \times (\text{Unique Visitor Average} \times \text{Unique Visitor value})) \times 1$ plus the Content Value = **Low Value for Website.**

* Unique Visitor value = ½ the value of the top fifteen bid placements on Google AdWords for a relevant keyword.

* Net Income Average and Unique Visitor Average are from the last three months.

-- Actual Numbers used in Appraisal --

$$\begin{aligned} & ((12 \times (95,000)) + (12 \times (15,000))) \times 1.2 = \$1,584,000 \\ & ((9 \times (95,000)) + (9 \times (15,000))) \times 1.2 = \$1,188,000 \end{aligned}$$

Based on these formulas the website has a...

➔ **High Value of: \$1,584,000**

➔ **Low Value of: \$1,188,000**

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Section 14 - Certification

We certify to the best of our knowledge that:

- The statements in this report are true and accurate.
- That we do not have any biases towards the site, the business, the company, the owners, or the management.
- That we do not have any interest in the final valuation of the site, or any interest in the financial operations of the site.
- That our appraiser will not have any gains (financial or otherwise) that might bias or affect our accuracy in reporting.
- We reserve the right to use twelve (12) month averages for both traffic and revenue for seasonal businesses on its appraisals.
- BuySellWebsite® is registered in the State of Florida, USA as a Limited Liability Company.
- BuySellWebsite® is a Federally registered Trademark in the United States.

We further certify that we have provided an accurate and fair valuation of the site to the best of our abilities and that we have applied our valuation formulas in a fair and equitable manner.

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