Zacks Small-Cap Research

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PSM Holdings, Inc.

(PSMH-OTCBB)

PSMH: Reducing to Neutral following Third Quarter

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	05/31/2012
Current Price (05/31/12)	$0.70
Twelve- Month Target Price	**$0.75**

OUTLOOK

PSMH posted a net loss of $1.4 million, or a loss per share of $0.05, for 2012's fiscal third quarter, ending March 31, 2012. This compares to a fiscal second quarter net loss of $0.5 million, or a loss per share of $0.02. Although both quarters reflect the adoption of PSMH's new business model, the current quarter includes the Iowa Mortgage Professionals, Inc. (IMP) acquisition for all three months while the second quarter includes IMP for only two months. Relative to the year-ago quarter, which excludes all acquisitions except for a ½-month contribution from United Community Mortgage Corp., the net loss increased by $0.55 million from a $0.8 million loss, or a $0.06 loss per share. Revenues surged 373% year over year to $3.6 million as loan production advanced 253% to $117 million and the gross profit margin jumped 77 basis points to 3.04% from 2.27%, while expenses increased 210% to $5.0 million, reflecting the results of five acquisitions that PSMH has made in the last year. However, the third quarter was below our EPS estimate of breakeven earnings as revenues were $1.2 million, or 25%, lower than our estimate due to weaker-than-expected loan origination volume and gross profit margins. Thus, we are reducing our estimates for the June 30 fiscal years to a loss per share of $0.14 for fiscal 2012 and of $0.07 for fiscal 2013. While we believe that PSMH's new business model holds promise, our projections show continued losses throughout the forecast period, though at a decelerating pace. Accordingly, we are lowering our recommendation to Neutral from Outperform and reducing our 12-month target price to $0.75 from $1.25.

SUMMARY DATA

52-Week High	**$1.10**
52-Week Low	**$0.51**
One-Year Return (%)	**2.94**
Beta	**0.22**
Average Daily Volume (sh)	**11,329**
Shares Outstanding (mil)	**27**
Market Capitalization ($mil)	**$19**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2012 Estimate	**N/A**
P/E using 2013 Estimate	**N/A**
Zacks Rank	**3**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Fin-Mtg&Rel Svs**
Zacks Rank in Industry	**6 of 7**

ZACKS ESTIMATES

Revenue

(in millions of $)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2010	0.936 A	0.927 A	0.841 A	1.129 A	3.833 A
2011	1.171 A	1.243 A	0.751 A	0.698 A	3.863 A
2012	2.182 A	3.427 A	3.551 A	4.051E	13.211E
2013					16.474E

Earnings per Share

(EPS is operating earnings before nonrecurring items)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2010	$(0.01)A	$(0.01)A	$(0.30)A	$(0.01)A	$(0.33)A
2011	$(0.00)A	$0.00A	$(0.06)A	$(0.09)A	$(0.15)A
2012	$(0.05)A	$(0.02)A	$(0.05)A	$(0.02)E	$(0.14)E
2013					$(0.07)E

Quarterly EPS may not add to total due to changes in shares outstanding

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THIRD QUARTER RESULTS

PSMH posted a net loss of $1.4 milllion, or a loss per share of $0.05, for 2012's fiscal third quarter, ending March 31, 2012. This compares to a fiscal second quarter (ending December 31, 2011) net loss of $0.5 million, or a loss per share of $0.02. Although both quarters reflect the adoption of PSMH's new business model, the current quarter includes the Iowa Mortgage Professionals, Inc. (IMP) acquisition for the full three months while the second quarter includes IMP for only two months (IMP was purchased effective November 1, 2011).

Relative to the year-ago quarter, which excludes all acquisitions except for a ½-month contribution from United Community Mortgage Corp. (UCMC), the net loss increased by $0.55 million from a $0.8 million loss, or a $0.06 loss per share. Revenues surged 373% year over year to $3.6 million as loan production advanced 253% to $117 million and the gross profit margin jumped 77 basis points to 3.04% from 2.27%, while expenses increased 210% to $5.0 million, reflecting the results of five acquisitions that PSMH has made in the last year.

However, the third quarter was below our EPS estimate of breakeven earnings as revenues were $1.2 million, or 25%, lower than our estimate due to weaker-than-expected loan origination volume and gross profit margins.

Total revenues were $3.6 million, which compares to our $4.8 million estimate. There were several reasons for the shortfall. First, our estimate included three months of loan origination volume from the Costco platform. However, there were only two months of Costco loan originations as it it took about 60 days to generate loan volume on the Costco platform after the December 1, 2011 start date. More importantly, Costco loan origination volume was below what we had been expecting. In addition, gross profit margins on the Costco loans were about one-half of what we had been estimating. Finally, the gross profit margin earned on non-Costco loan origination volume of 3.04% was about 86 basis points weaker than we had estimated and is down 41 basis points from 3.45% in the second quarter and 92 basis points from 3.96% in the first quarter. This was the result of competitive pricing pressures in certain geographic markets that accounted for the preponderance of loan origination volume during the quarter. In addition, a shift in the loan mix to lower margin conventional loans (about 55% of volume compared to about 25% previously), away from higher margin FHA loans (about 45% of loan volume versus 75% before) also had a negative impact on the gross profit margin.

Total operating expenses were $5.0 million versus our $4.9 million estimate. Some of these expenses were one-time costs incurred to set up infrastructure for future acquisitions that are expected to occur over the next six months. This includes $310,000 of SG&A expense and about $286,000 of stock bonus payments that will not recur in future quarters. Excluding the $596,000 of nonrecurring expenses from total operating expenses for the quarter reduces the net loss to roughly $800,000, or $0.03 per share.

PSMH reclassified $0.3 million to to property and equipment from goodwill during the third quarter, which will have a negligible impact on net earnings and earnings per share going forward.

During the third quarter, the Company merged the operations of Prime Source Mortgage, Inc. (PSMI) into UCMC and changed the domicile of UCMC from the State of New Jersey to the State of Delaware, leaving only one operating subsidiary to conduct the mortgage banking business for PSMH.

We have reduced our estimates, based upon weaker-than-expected loan origination volume and gross profit margins. Our new estimates for the June 30 fiscal years are a loss per share of $0.14 for fiscal 2012 and a loss per share of $0.07 for fiscal 2013. This compares to our previous estimates of a $0.06 loss per share in fiscal 2012 and earnings per share of $0.15 in fiscal 2013. Our estimates include only those five acquisitions that have been completed to date plus loan production from the Costco MSP, and exclude any impact from operations that may be added once additional state licenses are in hand. This means our estimates could prove wide of the mark.

Details of our projections are shown at the back of this report.

OVERVIEW

PSM Holdings, Inc. (PSMH) is engaged in the businesses of mortgage banking, in which PSMH both originates and funds mortgage loans through its own warehouse lines of credit and currently accounts for about 90% of closed loans, as well as mortgage brokerage, in which PSMH originates mortgage loans funded by over 50 third-party lenders. PSMH immediately sells these loans to its third-party lenders or into the secondary mortgage market. The Company offers a full range of mortgage loan products, including adjustable rate mortgages, fifteen, twenty, and thirty-year fixed rate loans, and balloon loans with a variety of maturities, as well as refinancing, construction loans, second mortgages, debt consolidation, and home equity loans.

PSMH had total assets of $5.1 million at the 2011 fiscal yearend on June 30, 2011, total revenues of $3.9 million for the 2011 fiscal year, and closed 845 mortgage loans, worth $144 million, during this period. Operations are carried out by the company's wholly owned subsidiary, Delaware-based PrimeSource Mortgage, Inc. (PSMI), which includes the operations of the original Texas-based PSMI and United Community Mortgage Corp. (UCMC). Through its subsidiary, PSMH operates and is licensed in the following 13 states: Arkansas, Colorado, Florida, Iowa, Montana, Missouri, Nebraska, New Jersey, New Mexico, New York, Oklahoma, Texas and Utah. State license applications are pending in an additional 17 states, with the majority expected to be approved within the next few months. The Company has 176 employees and 5 corporate offices and 19 retail offices, down from 30 total offices previously as PSMH has combined offices or moved production to regional centers.

At the beginning of 2011, PSMH developed a new strategy to adapt to changes in federal regulations regarding mortgage banking and brokerage that became effective on April 1, 2011. The Company's new business model involves rapidly expanding its loan production capacity through acquisitions and improving profit margins of acquired companies by migrating them to PSMH's higher margin lending platform, in order to achieve the requisite revenue stream and asset base to realize a stock listing on a senior stock exchange and become one of the top mortgage bankers in the United States. The acquisition targets are generally mature, profitable businesses that have a well-established presence in the real estate markets in which they operate. PSMH has been quite successful in this endeavor, acquiring five companies with $10.9 million in annual revenues, $553 million of annual loan production, and $1.7 million in net income since March 15, 2011, for which it has issued 6.5 million shares worth $5.0 million. In addition, one acquisition is pending and more acquisitions are planned.

Acquisitions have been delayed due to infrastructure changes, which have prevented PSMH from making state licensing applications during this period. Now that these infrastructure changes have occurred, the Company intends to proceed with individual state licensing applications, after which PSMH can complete pending and future acquisitions.

An important element of PSMH's new business model involves owning branch offices, rather than maintaining a network of independently owned branch offices as PSMH did under its old legacy business model. This has significant implications for PSMH's revenue and expense streams going forward.

Under the old business model, operations were conducted by PSMH's wholly owned subsidiary, Texas-based PrimeSource Mortgage, Inc., through 30 independently owned branch offices located in 13 states, primarily in the southwestern states of New Mexico, Oklahoma, and Texas, under an Independent Network Office Agreement. This exclusive agreement provides that PSMI share commissions with branch offices in one of two ways. Under one method accounting, PSMI receives 10% of total commissions generated by the branch office or a $500-550 flat fee per loan closed, following payment by the branch owner to PSMI of a $20,000 negotiated upfront fee to join its network. Flat fee payments from the branches account for about 95% of PSMI revenues. Under the second arrangement, a new branch may

join PSMI's network at no upfront cost, and PSMI receives 50% of total commissions generated by that office. In return, PSMI provides branch offices with access to its list of approved lenders, as well as PSMI's warehouse credit line. These agreements are effective for a period of 30 days and are automatically extended for 30-day periods until cancelled.

From an accounting standpoint, under the old business model, payments received from the branch owners (either as a flat fee or percentage of commission income) are booked as revenue, while all operating expenses of the branches and those of parent holding company PSMH are booked as expenses.

Under the new business model, operations are conducted by PSMH's wholly owned subsidiary, Delaware-based Prime Source Mortgage, Inc. (which includes the former United Community Mortgage Corp. plus the old Texas-based PSMI), which owns the acquired branches. This means that all branch revenue flows directly to PSMH through PSMI, and PSMH through PSMI is responsible for all branch operating expenses. That said, acquired branch offices will still be managed on a day-to-day basis by existing management to take advantage of their expertise and knowledge of local real estate markets.

Importantly, the new business model and the old business model will be run concurrently along with the dual systems of accounting. As the new business model gains traction, we expect the contribution from the old business model to account for an increasingly smaller proportion of revenue and expenses.

The majority of loan applications, approximately 75%, are generated from business contacts and previous client referrals at each of the branch offices, while realtor referrals generate another 15%. Approximately 10% come from other advertising and marketing efforts, including roughly 7% from Nationwide By Owner, Inc.

PSMI has an exclusive license agreement with Nationwide By Owner, Inc. (NWBO), a Texas-based company that provides proprietary software that produces a database of sales leads containing home buyer and home seller information for persons seeking financing on the purchase or refinancing of real estate. NWBO derives its leads from individuals in approximately 17 states selling their homes personally rather than through a real estate agent or through real estate agents that have relationships with PSMI's branch offices.

The agreement with NWBO, originally signed on April 14, 2006 and recently renewed for an additional five years on April 14, 2011, is automatically renewable for two successive three-year periods and thereafter for successive one-year terms, unless either party notifies the other of its intent not to renew the agreement prior to the third automatic renewal term. The agreement is also terminable by either party for breach by the other party or change of control of the other party. PSMH paid $150,000 and issued 150,000 shares of common stock worth $675,000 to NWBO and its owners for this license, which is being amortized over 14 years.

The NWBO license agreement also obligates PSMI to create a National Processing Center for the collection, organization, and tracking of the sales leads database generated by NWBO, provided that NWBO is successful in securing an agreement or arrangement to market its smart signs through a national marketing company or a national retail distributor. Since this has not yet occurred, the center remains in the planning stage. In addition, PSMI is obligated to obtain mortgage licenses in all 50 states.

Once the National Processing Center has been established, the Company has also committed to provide yearend bonuses under the license agreement, which the parties can elect to take in cash, stock, or any combination of the two. Bonuses will be calculated by multiplying the annual net profit of the National Processing Center by the following percentage rates: 15% for the initial five-year term of the license agreement, 20% for the first automatic renewal term, 25% for the second automatic renewal term, and 30% for the third automatic renewal term and all subsequent annual renewal terms.

More recently, PSMH announced that its subsidiary, PSMI (which includes the former United Community Mortgage Corp. plus the old Texas-based PSMI), has been approved as the tenth lender to join the family of preferred mortgage lenders on the Costco Mortgage Services Platform (MSP) that began in January 2010, and is operated and managed by First Choice Bank. PSMI's office in Tulsa, Oklahoma began providing mortgage services on December 1, 2011 to all US Costco members, totaling 22.9 million households. Initially, PSMI will service leads originated in Oklahoma, Texas, New Mexico, Arkansas, and Missouri, though other states will be added later in a two-stage process. During the first stage, PSMI will add the states of Florida, Colorado, Utah, Nebraska, Iowa, and Montana to its Costco MSP and during the second stage, PSMI will add California, Washington, and Oregon.

The Costco relationship has significant revenue-enhancing potential. PSMI has initially committed to take 1,000 leads per month for the Costco MSP, a level which it expects to reach within the next few months, and expects to increase this to 4,000-5,000 per month once all states are on board.

Currently, call volume is well below this level, though PSMI accounts for 43% of Costco volume in the states in which it currently operates. For the February through mid-May 2012 period, the Company generated 620 leads (about 177 per month), has closed on a total of 45 loans, and has about 130 loan applications in the pipeline, of which it ultimately expects to close about 65 loans, or roughly half the loans in the pipeline. This works out to a conversion rate of about 17-18%, consistent with the 10-24% conversion experience of other Costco mortgage providers.

Costco loans are taking about 60 days to close, about double the 30 days that is typical for non-Costco loans. Because of this, only 10-20 loans, or about $1-3 million, per month have closed over the last few months. The average Costco mortgage loan size is about $150,000, comparable to the loan size for PSMI's existing customer base of about $150,000-175,000.

Once PSMI enters higher end real estate markets, the average loan size should increase substantially. For example, PSMI expects the average loan size to be about $350,000 for loans originated in California on the Costco MSP. Just as important, the states of California and Washington currently account for 40% of all leads generated on the Costco MSP. Thus, future growth potential in loan origination volume on the Costco MSP is quite substantial. On the negative side, margins on loans originated under the Costco MSP are lower than those on loans originated under the new business model.

In addition to acquisitions and Costco, another new source of loan origination volume stems from folding in high-production loan offices onto PSMI's existing mortgage lending platform, without going through the acquisition process. Thus, PSMH achieves higher loan volume and revenues without the legal and financial expense of doing an outright acquisition, while employees of the office are eligible to participate in stock bonuses should certain performance targets be met. In fact, the Company expects growth from this source to accelerate as additional state licenses are obtained over the next few months. On the down side, these offices can leave the PSMI system relatively easily since they have not been acquired.

MAJOR RISKS

- PSMH is in the initial stages of its acquisition strategy and new business model, and very little solid data has yet been released. In fact, the first quarters for which initial financial data became available are 2012's fiscal first, second, and third fiscal quarters, when PSMH posted net losses of $1.1 million (a $0.05 loss per share), $0.5 million (a $0.02 loss per share), $1.4 million (a $0.05 loss per share), respectively. Moreover, it will be several more quarters until there is sufficient data to gauge the success of PSMH's new business model.

- Competitors are larger and have greater financial resources than does PSM Holdings. Competitors in the mortgage loan market include JPMorgan Chase Bank, N.A., Wells Fargo & Company, Bank of America Corporation, and US Bank Corporation. This is somewhat offset by the significant reduction in these competitors' retail presence for originating mortgage loans. Moreover, larger competitors are not able to respond as quickly as PSMH to customer requests.

- The rapid pace of PSMH's acquisition program has strained resources. Though PSMH has hired additional personnel to oversee growth and invested in new technology to manage growth, there could be some negative surprises in the future.

- The weak state of the US economy in general and the real estate market in particular could hurt operations at some point in the future. Although there has been a contraction in residential real estate sales and refinancings over the last few years, consolidation in the mortgage banking and brokerage industry has mitigated this to some extent (industry sources suggest that 40% of mortgage banking firms and 80% of mortgage brokerage companies have left the industry). In other words, while the total pie is getting smaller, the market share for surviving mortgage companies is actually growing.

- A significant jump in interest rates, currently at rock-bottom lows, could have a material negative impact mortgage loan demand for future residential real estate sales and refinancings.

- PSMH's ability to generate additional loan originations and related revenue is limited by the size of its warehouse credit lines. While a large amount of excess capacity exists at present, this may not always be the case.

- PSMH bears the risk of default loss on all mortgage loans originated until they are sold to third-party lenders.

- PSMH has issued a significant number of shares to make acquisitions and for other corporate purposes and will continue to do so in the near future.

- PSMH shares are designated as "penny stock" under SEC Rule 3a51-1, and subject to the restrictions imposed upon broker-dealers for trading in these shares, including the duty to disclose to investors the risks inherent in penny stocks and to determine that the investment is suitable for the purchaser. These restrictions reduce liquidity in PSMH shares.

- Of the 27.8 million of PSMH shares outstanding at present, only 2-3 million shares are not owned by insiders, thereby limiting the amount of float on the Company's common stock.

PROJECTIONS

Our annual and quarterly projections are shown on pages 9 and 10, respectively. Our new estimates for the June 30 fiscal years are a loss per share of $0.14 for fiscal 2012 and a loss per share of $0.07 for fiscal 2013. This compares to our previous estimates of a $0.06 loss per share in fiscal 2012 and earnings per share of $0.15 in fiscal 2013. Key projection highlights include:

- Our projections are based only upon completed acquisitions where financial results have been disclosed, including UCMC as of March 15, 2011, Brookside and Founders beginning on July 1, 2011, Fidelity beginning on August 1, 2011, and IMP beginning on November 1, 2011, as well as new business from the Costco MSP, beginning on

December 1, 2011. Going forward, we will be revising our projections as additional acquisitions are completed and related financial information is disclosed.

- We note that PSMH expects to be generating monthly loan production under the new business model of $100 million by the end of the first quarter of 2013 and of $200 million by the end of the third quarter of 2013, including originations from acquisitions and other sources that have not yet been completed or disclosed. Our projections are based upon completed acquisitions only and are significantly lower than those of PSMH.

- Our projections show annual non-Costco mortgage loan origination volume of $403 million for fiscal 2012 and $550 million for fiscal 2013. This compares to $140-150 million of annual loan production prior to the adoption of PSMH's new business model. We note that estimates for fiscal 2012 include results from all 5 acquisitions for 8 months, while those for 2013 include a full 12 months of results from these acquisitions.

- Our projections show that Costco mortgage loan origination volume of $12 million in fiscal 2012 and $35 million in fiscal 2013. We note that fiscal 2012 includes only 5 months of Costco loan production, while fiscal 2013 includes Costco loan production for the full 12 months.

- We have assumed that interest rates will remain at very low levels throughout the forecast period.

- Because of the $9.9 million tax loss carryforward, we have shown no income tax expense throughout the forecast period.

- We have assumed that the 4.95 million warrants will not be exercised during the forecast period.

- Our projections show the sale of $1.3 million of new common stock.

- No dividend payments over the forecast period.

VALUATION

PSMH is in the midst of a fundamental transformation of its business model, which could propel above-average earnings growth over the medium-long term. Nevertheless, it is still an untested model. In fact, the first quarters for which initial financial data became available are 2012's fiscal first, second, and third quarters when PSMH posted net losses of $1.1 million ($0.05 loss per share), $0.5 million (a $0.02 loss per share), and $1.4 million (a $0.05 loss per share), respectively. Moreover, it will be several more quarters until there is sufficient data to gauge the success of PSMH's new business model.

Since we initiated coverage of PSMH in early December, the Company has reported two quarters of disappointing results. We have had to significantly scale back our estimates both times as loan origination volume and gross profit margins were weaker than we had expected. Our new estimates for the June 30 fiscal years are a loss per share of $0.14 for fiscal 2012 and a loss per share of $0.07 for fiscal 2013. This compares to our previous estimates of a $0.06 loss per share in fiscal 2012 and earnings per share of $0.15 in fiscal 2013.

While we believe that PSMH's new business model holds promise, our projections show continued losses throughout the forecast period, though at a decelerating pace. Accordingly, we are lowering our

recommendation to Neutral from Outperform and reducing our 12-month target price from $1.25 to $0.75, which compares to PSMH's current stock price of $0.70.

For patient investors with a long-term perspective, there could be attractive upside potential.

Industry Comparables- Small-cap Financial Services

		Price / Earnings Ratios					Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2012E	2013E	5-Yr Avg	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
PSM Holdings	**(6.7)**					**3.6**	**Neg**	**Neg**	**Neg**	**Neg**	**-----**
S&P 500	**4.2**	**13.6**	**12.8**	**12.0**	**17.1**	**8.2**	**29.1**		**9.88**		**2.2**
Median	**(0.9)**	**9.7**	**8.8**	**8.0**	**10.5**	**1.2**	**11.5**	**13.23**	**4.75**	**4.5**	**-----**
Average	9.8	12.4	9.4	7.9	14.8	1.9	8.3	(12.46)	2.97	(8.1)	1.7
High	58.4	34.2	13.1	11.1	64.2	7.7	48.4	41.49	37.16	32.3	12.1
Low	(9.3)	4.7	3.2	3.1	6.1	0.5	(118.4)	(355.32)	(55.13)	(222.9)	-----

*Trailing twelve months

PSM Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	06/07	06/08	06/09	06/10	06/11	06/12 E	06/13 E
Revenues	2.893	2.539	3.252	3.833	3.863	13.211	16.474
Brokerage Commissions	2.405	2.167	2.943	3.297	3.045	2.611	-----
Wages	0.372	0.316	-----	-----	-----	8.742	12.350
Total Compensation	2.777	2.483	2.943	3.297	3.045	11.353	12.350
SG&A	1.025	0.551	0.909	4.852	2.852	5.317	6.019
Depreciation & Amortization	0.072	0.071	0.070	0.070	0.081	0.222	0.171
Taxes & Other Income (Expense)	0.023	0.017	(0.004)	0.021	0.038	0.145	0.160
Zacks Adjusted Income before NRI	(0.958)	(0.549)	(0.674)	(4.365)	(2.077)	(3.536)	(1.906)
GAAP Net Income	(0.958)	(0.704)	(0.674)	(4.365)	(2.077)	(3.536)	(1.906)
Diluted EPS before NRI	(0.08)	(0.04)	(0.05)	(0.33)	(0.15)	(0.14)	(0.07)
Reported EPS	(0.08)	(0.05)	(0.05)	(0.33)	(0.15)	(0.14)	(0.07)
Dividends Per Share	-----	-----	-----	-----	-----	-----	-----
Balance Sheet							
Cash & Marketable Securities	0.202	0.071	0.125	0.106	0.021	0.192	0.109
Receivables	0.030	0.075	0.090	0.154	0.041	12.816	14.816
Other Current Assets	0.000	-----	-----	0.060	0.196	0.440	0.460
Total Current Assets	0.232	0.146	0.215	0.320	0.258	13.448	15.385
Net Property/Plant/Equipment	0.043	0.036	0.028	0.017	0.025	0.490	0.470
Loans and Notes Receivable	0.175	0.100	0.094	0.097	0.601	0.600	0.600
Intangibles	0.754	0.695	0.636	0.577	1.596	3.560	3.415
Other Assets	-----	-----	-----	-----	0.009	0.013	0.015
Total Assets	1.204	0.977	0.973	1.011	2.489	18.111	19.885
Short-term Debt	-----	-----	-----	-----	-----	12.346	14.346
Accrued Stock Payable	-----	-----	-----	-----	0.778	-----	-----
Other Payables and Accruals	0.113	0.122	0.106	0.345	0.174	1.467	2.148
Total Current Liabilities	0.113	0.122	0.106	0.345	0.952	13.813	16.494
Total Long-Term Debt	-----	0.080	0.110	0.120	0.120	-----	-----
Other Liabilities	-----	-----	-----	-----	-----	-----	-----
Preferred Stock	-----	-----	-----	-----	-----	-----	-----
Common Shareholders' Equity	1.091	0.775	0.757	0.546	1.417	4.298	3.392

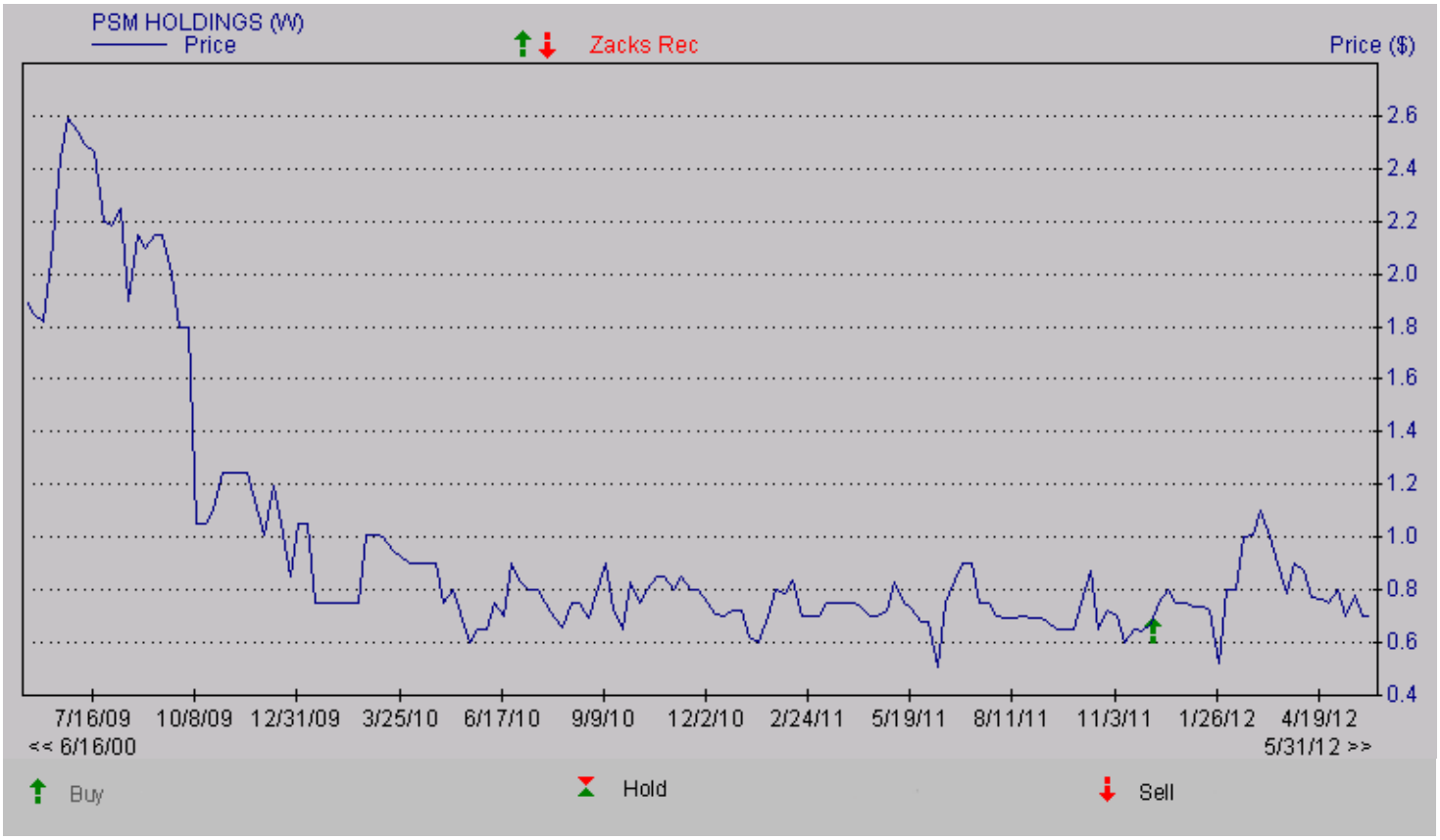
PSM Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2011				2012			
	Q1 A	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 E**
Revenues	1.171	1.243	0.751	0.698	2.182	3.427	3.551	4.051
Brokerage Commissions	0.946	0.974	0.571	0.553	0.760	1.851	-----	-----
Wages	-----	-----	-----	-----	1.455E	1.021E	3.165	3.100
Total Compensation	0.946	0.974	0.571	0.553	2.215E	2.872E	3.165	3.100
SG&A	0.264	0.229	1.016	1.343	1.006E	1.159E	1.727	1.425
Depreciation & Amortization	0.017	0.017	0.017	0.030	0.094	0.004	0.081	0.043
Taxes & Other Income (Expense)	0.008	0.007	0.016	0.005	0.002	0.067	0.035	0.040
Zacks Adjusted Income before NRI	(0.048)	0.030	(0.837)	(1.223)	(1.131)	(0.541)	(1.387)	(0.477)
GAAP Net Income	(0.048)	0.030	(0.837)	(1.223)	(1.131)	(0.541)	(1.387)	(0.477)
Diluted EPS before NRI	(0.00)	0.00	(0.06)	(0.09)	(0.05)	(0.02)	(0.05)	(0.02)
Reported EPS	(0.00)	0.00	(0.06)	(0.09)	(0.05)	(0.02)	(0.05)	(0.02)
Dividends Per Share	-----	-----	-----	-----	-----	-----	-----	-----
Balance Sheet								
Cash & Marketable Securities	0.090	0.123	0.465	0.021	0.470	0.360	0.235	0.192
Receivables	0.077	0.065	0.054	0.041	0.389	11.504	12.316	12.816
Other Current Assets	0.008	0.001	0.001	0.196	0.097	0.048	0.438	0.440
Total Current Assets	0.175	0.189	0.520	0.258	0.956	11.912	12.989	13.448
Net Property/Plant/Equipment	0.014	0.014	0.027	0.025	0.170	0.227	0.493	0.490
Loans and Notes Receivable	0.091	0.091	0.639	0.601	0.600	0.596	0.591	0.600
Intangibles	0.563	0.546	1.620	1.596	3.358	3.933	3.586	3.560
Other Assets	-----	-----	0.008	0.009	0.017	0.016	0.012	0.013
Total Assets	0.843	0.840	2.814	2.489	5.101	16.684	17.671	18.111
Short-term Debt	-----	-----	-----	-----	-----	11.034	11.862	12.346
Accrued Stock Payable	-----	-----	0.500	0.778	0.386	-----	-----	-----
Other Payables and Accruals	0.217	0.162	0.201	0.174	0.414	0.637	1.334	1.467
Total Current Liabilities	0.217	0.162	0.701	0.952	0.800	11.671	13.196	13.813
Total Long-Term Debt	0.100	0.100	0.100	0.120	0.120	-----	-----	-----
Other Liabilities	-----	-----	-----	-----	-----	-----	-----	-----
Preferred Stock	-----	-----	-----	-----	-----	-----	-----	-----
Common Shareholders' Equity	0.526	0.578	2.013	1.417	4.181	5.013	4.475	4.298

HISTORICAL ZACKS RECOMMENDATIONS



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