Zacks Small-Cap Research

March 4, 2013
Ann H. Heffron, CFA, CPA
312-265-9428
aheffron@zacks.com

scr.zacks.com
111 North Canal Street • Chicago, IL 60606

PSM Holdings, Inc.

(PSMH-OTCBB)

PSMH: Back-to-Back Profitable Quarters

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	05/31/2012
Current Price (03/01/13)	$0.40
Twelve- Month Target Price	**$0.65**

OUTLOOK

PSMH posted net earnings of $0.2 million, or $0.01 per diluted share, for the second fiscal quarter ending December 31, 2012, comparable to the level achieved in the fiscal first quarter (ending September 30, 2012). Importantly, for the first time in the Company's history, it has posted two back-to-back quarters of profitability. Relative to the year-ago quarter, revenues surged 76% year over year to $6.0 million as loan production advanced 91% to $171 million, partly offset by a slide in the gross profit margin to 3.54% from an unusually high 3.83% in the year-ago quarter. Total operating expenses increased 45% to $5.9 million, largely the result of higher compensations costs. The second quarter matched our diluted EPS estimate of $0.01, but net earnings were only about one-half the $0.4 million we had expected. The $0.2 million shortfall included $0.1 million of one-time expenses; so the actual shortfall was only $0.1 million, largely reflecting higher performance-based compensation costs. We have lowered our estimates of net income and diluted EPS. First, we have raised our expense estimates due to costs associated with the hiring of a new interim CFO and with a new consulting agreement, as well as increased performance-based bonus accruals. Second, there is dilution arising from the issuance of convertible preferred stock. Third, these factors will be partly offset by favorable changes stemming from increased gross profit margin estimates and decreased SG&A expense estimates due to the reduction of certain consulting costs.

SUMMARY DATA

52-Week High	**$1.10**
52-Week Low	**$0.18**
One-Year Return (%)	**-63.64**
Beta	**0.35**
Average Daily Volume (sh)	**22,209**
Shares Outstanding (mil)	**29**
Market Capitalization ($mil)	**$12**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
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 2013 Estimate	**20.0**
P/E using 2014 Estimate	**13.3**
Zacks Rank	**3**

Risk Level	**High**
Type of Stock	**Small-Blend**
Industry	**Fin-Mtg&Rel Svs**
Zacks Rank in Industry	**7 of 8**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2011	1.2 A	1.2 A	0.8 A	0.7 A	3.9 A
2012	2.2 A	3.4 A	3.6 A	5.0 A	14.2 A
2013	5.9 A	6.0 A	5.9 E	6.7 E	24.5 E
2014					27.1 E

Earnings per Share
(EPS is operating earnings before nonrecurring items)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
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	$(0.01)A	$(0.13)A
2013	$0.01A	$0.01A	$0.00E	$0.01E	$0.02E
2014					$0.03E

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

© Copyright 2013, Zacks Investment Research. All Rights Reserved.

SECOND QUARTER UPDATE

PSMH posted net earnings of $0.2 million, or $0.01 per diluted share, for the second fiscal quarter ending December 31, 2012, comparable to the level achieved in the fiscal first quarter (ending September 30, 2012). Both quarters reflected the adoption of PSMH's new business model, including all five acquisitions the Company has made to date, as well as contributions from the Costco operations. Importantly, for the first time in the Company's history, it has posted two back-to-back quarters of profitability.

Relative to the year-ago quarter, which includes all of PSMH's five acquisitions, but excludes any impact from Costco, the net loss decreased by $0.7 million from a $0.5 million loss, or a $0.02 loss per share. Revenues surged 76% year over year to $6.0 million as loan production advanced 91% to $171 million, partly offset by a slide in the gross profit margin to 3.54% from an unusually high 3.83% in the year-ago quarter. Total operating expenses increased 45% to $5.9 million, largely the result of higher compensations costs.

On a quarterly sequential basis, total revenues rose 2% as an 8% slide in loan production volume was partly offset by a 35 basis-point jump in the gross profit margin, principally reflecting a larger contribution from higher margin lending markets. Total operating expenses rose 3%, as increased compensation costs, due in part to increased loan production, were only partly offset by lower SG&A expense, stemmming from the ending of several marketing contracts during the quarter.

The second quarter matched our diluted EPS estimate of $0.01, but net earnings were only about one-half the $0.4 million we had expected. The $0.2 million shortfall included $0.1 million of one-time expenses; so the actual shortfall was only $0.1 million, largely reflecting higher performance-based compensation costs.

Total revenues were $6.0 million, which compares to our $6.1 million estimate, with the shortfall mainly the result of loan volume that was $16 million, or 9%, below our projection of $187 million, partly offset by a 3.54% gross profit margin that was 26 basis points above our 3.28% estimate. On the expense side, our $4.0 million estimate of total compensation costs was about $0.2 million lower than the Company actually reported, which was partly offset by our SG&A expense estimate that was $0.1 million higher than PSMH posted.

PSMH made several important announcements during the quarter.

- On February 4, 2013, PSMH completed a private placement of $5.7 million of 6% Series A and Series B convertible preferred stock, each convertible into PSMH common stock at $0.40 per share. The preferred shares can be converted into common stock at any time by the preferred shareholder. However, PSMH can force conversion only when its common stock price equals or exceeds $2.50 for a period of 90 consecutive trading days with a minimum average trading volume of 100,000 shares per day. Full conversion of the preferred stock would result in the issuance of 14,250,000 additional common shares, increasing common stock outstanding by 48%. Concurrent with the issuance of the preferred stock, the board of directors was reduced from seven members to five members, with the Series A preferred stockholders appointing two of the five board seats.

- On February 7, 2013, PSMH hired Kevin J. Gadawski at $20,000 per month ($240,000 annually) to be its interim chief operating officer and interim chief financial officer. We expect this expense will be largely offset by cost cuts related to certain consulting contracts.

- On February 7, 2013, PSMH entered into a two-year independent contractor agreement at $15,000 per month ($180,000 per year) with LB Consulting LLC, under which LB Consulting has agreed to provide advisory services in connection with capital market

strategies as the Company prepares to list its shares on a major stock exchange and other projects mutually determined by the parties.

We have lowered our estimates of net income and diluted EPS. First, we have raised our expense estimates due to costs associated with the hiring of the new interim CFO and with the new consulting agreement, as well as increased performance-based bonus accruals. Second, there is dilution arising from the issuance of the convertible preferred stock. Third, these factors will be partly offset by favorable changes stemming from increased gross profit margin estimates and decreased SG&A expense estimates due to the reduction of certain consulting costs.

Our new projections for the 2013 fiscal year ending June 30, 2013 call for net earnings of $0.9 million and diluted EPS of $0.02, which compares to our previous estimates of $1.3 million and $0.04, respectively. For 2014, we have reduced our net earnings estimate to $1.3 million from $2.2 million and our diluted EPS estimate to $0.03 from $0.06.

Our estimates include only those five acquisitions plus on-boardings of loan production offices completed to date and 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.

As to additional state licenses, PSMH hopes to add California shortly, with production from the Costco MSP to be up and running within the next month and other California locations within about three months. Loan production from planned additional on-boardings (PSMH added an office in Newark, New Jersey and an office in St. Louis, Missouri during the second quarter) could also add significantly to total volume late in the fourth quarter. Fortunately, PSMH has plenty of cash on hand to handle these growth opportunities following the recent completion of its $5.7 million preferred stock private placement.

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 $24.7 million at the 2012 fiscal yearend on June 30, 2012, total revenues of $14.2 million for the 2012 fiscal year, and closed 2,920 mortgage loans, worth $393 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 15 states: Arkansas, Colorado, Florida, Iowa, Montana, Missouri, Nebraska, New Jersey, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, and Washington. State license applications are pending in an additional 15 states, with the majority expected to be approved within the next few months. The Company has 174 employees and 5 corporate offices and 15 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.

We note that additional 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 independent branch offices located in 13 states, primarily in the southwestern states of New Mexico, Oklahoma, and Texas, under an Independent Network Office Agreement.

From an accounting standpoint, under the old business model, payments received from the branches (either as a flat fee or percentage of commission income) were booked as revenue, while all operating expenses of the branches and those of parent holding company PSMH were 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 15 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 that it expects to reach within the next few months, and expects this to increase significantly once all states are on board.

While current call volume is well below the 1,000 leads-per-month level, PSMI accounts for a large share (roughly 40%) of Costco volume in the states in which it operates. The Company is currently generating about 400 leads per month, and closing roughly 15% of leads, within the 10-24% conversion experience of other Costco mortgage providers.

Once PSMI enters higher end real estate markets, the average loan size should increase substantially, and future growth potential in loan origination volume on the Costco MSP is 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 on-boarding 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 the first quarter in 2012 represents the initial quarter that PSMH has posted profitability under the new business model. While results look promising, 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 ($125 million according to the 8-K concerning the preferred stock private placement). 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.

- There is a limited float on the Company's common stock with only about 5 million shares of the total 29.0 million shares outstanding freely tradable.

PROJECTIONS

Our annual and quarterly projections are shown on pages 9 and 10, respectively. We have lowered our estimates of net income and diluted EPS. First, we have raised our expense estimates due to costs associated with the hiring of the new interim CFO and with the new consulting agreement, as well as increased performance-based bonus accruals. Second, there is dilution arising from the issuance of the convertible preferred stock. Third, these factors will be partly offset by favorable changes stemming from increased gross profit margin estimates and decreased SG&A expense estimates due to the reduction of certain consulting costs.

Our new projections for the 2013 fiscal year ending June 30, 2013 call for net earnings of $0.9 million and diluted EPS of $0.02, which compares to our previous estimates of $1.3 million and $0.04, respectively. For 2014, we have reduced our net earnings estimate to $1.3 million from $2.2 million and our diluted EPS estimate to $0.03 from $0.06.

- 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 late spring 2013 (previously by the end of the first quarter of 2013) and of $200 million by spring 2014 (previously 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 $660 million for fiscal 2013. This compares to our prior estimate of $655 million and $381 million actual in fiscal 2012. We note that fiscal 2012 includes results from all 5 acquisitions for 8 months, while those for 2013 include a full 12 months of results from these acquisitions. Our fiscal 2014 estimate has been raised to $740 million from $710 million, a 12% increase over our 2013 estimate.

- Our projections show that Costco mortgage loan origination volume of about $65 million in fiscal 2013, compared to $80 million before and $12 million actually reported in fiscal 2012. 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 reduced our fiscal 2014 estimate from $120 million to $90 million, a 37% increase over our 2013 estimate.

- We are raising our gross profit margin estimates to 3.38% from 3.26% in fiscal 2013 and to 3.27% from 3.19% in fiscal 2014.

- 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.

- 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-to-long term. Nevertheless, it is still an untested model. The first quarter in 2012 represents the initial quarter that PSMH has posted profitability under the new business model, and it will be several more quarters until there is sufficient data to gauge the success of PSMH's new business model.

We believe that PSMH's new business model holds promise, and are estimating that the Company will post a modest profit for the 2013 fiscal year, the first in its history as a public company. Our current projections show diluted EPS of $0.02 for the year ending June 30, 2013 and a further gain to $0.03 EPS in fiscal 2014.

That said, we are maintaining our Neutral recommendation on PSMH until a few more data points are reported, and we have a better sense of where the Company is heading.

Using Price/Book Value, we note that PSMH is currently valued at 2.2X. This is well below PSMH's average Price/Book Value since it became a public company of 14.8X and of 4.2X since it implemented its new business model. Applying the 4.2X to our book value per share 12 months out results in a price of approximately $1.00.

Turning to the Price/Earnings valuation measure, PSMH is trading at 13.3X for fiscal 2014, well above the Zacks small-cap financial services index median of 7.8X. Applying the 7.8X industry P/E ratio to our 2014 EPS estimate results in a target price of about $0.25.

Taking the midpoint of these two different valuation metrics, we arrive at a target price of $0.65, which we believe best represents prospects for PSMH's share price twelve months out.

For patient investors with a long-term perspective, there could be attractive upside potential. The stock is up 35.6% year to date, well above S&P 500's 6.5% and the median for the small-cap financial services index at 7.4%.

Industry Comparables- Small-cap Financial Services

		Price / Earnings Ratios					Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2013E	2014E	5-Yr Avg	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
PSM Holdings	**35.6**	**NM**	**20.0**	**13.3**	**NM**	**2.18**	**Neg**	**Neg**	**Neg**	**Neg**	**-----**
S&P 500	**6.5**	**15.5**	**14.0**	**13.0**	**16.7**	**5.8**	**42.2**	**-----**	**8.68**	**-----**	**2.7**
Median	**7.4**	**9.5**	**9.7**	**7.8**	**10.3**	**1.35**	**16.2**	**13.59**	**4.83**	**5.5**	**-----**
Average	7.0	11.5	10.3	8.7	14.9	2.2	13.4	(4.68)	5.45	(4.1)	1.3
High	35.6	25.0	20.0	12.8	64.0	12.0	57.3	44.27	35.58	33.6	10.7
Low	(24.1)	7.3	7.1	6.6	5.8	0.4	(25.4)	(277.34)	(11.22)	(168.7)	-----

*Trailing twelve months

PSM Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	06/08	06/09	06/10	06/11	06/12	06/13 E	06/14 E
Revenues	2.539	3.252	3.833	3.863	14.184	24.489	27.095
Brokerage Commissions	2.167	2.943	3.297	3.045	6.004	10.235	11.380
Wages	0.316	-----	-----	-----	5.284	6.700	7.250
Total Compensation	2.483	2.943	3.297	3.045	11.288	16.935	18.630
SG&A	0.551	0.909	4.852	2.852	6.119	6.413	6.708
Depreciation & Amortization	0.071	0.070	0.070	0.081	0.239	0.245	0.244
Taxes & Other Income (Expense)	0.017	(0.004)	0.021	0.038	0.102	0.013	(0.185)
Zacks Adjusted Income before NRI	(0.549)	(0.674)	(4.365)	(2.077)	(3.360)	0.909	1.328
GAAP Net Income	(0.704)	(0.674)	(4.365)	(2.077)	(3.360)	0.909	1.328
Diluted EPS before NRI	(0.04)	(0.05)	(0.33)	(0.15)	(0.13)	0.02	0.03
Reported EPS	(0.05)	(0.05)	(0.33)	(0.15)	(0.13)	0.02	0.03
Dividends Per Share	-----	-----	-----	-----	-----	-----	-----
Balance Sheet							
Cash & Marketable Securities	0.071	0.125	0.106	0.021	0.355	6.942	8.465
Receivables	0.075	0.090	0.154	0.041	19.216	16.458	18.458
Other Current Assets	-----	-----	0.060	0.196	0.448	0.073	0.093
Total Current Assets	0.146	0.215	0.320	0.258	20.019	23.473	27.016
Net Property/Plant/Equipment	0.036	0.028	0.017	0.025	0.469	0.431	0.411
Loans and Notes Receivable	0.100	0.094	0.097	0.601	0.593	0.602	0.594
Intangibles	0.695	0.636	0.577	1.596	3.637	3.492	3.347
Other Assets	-----	-----	-----	0.009	0.012	0.016	0.018
Total Assets	0.977	0.973	1.011	2.489	24.730	28.014	31.386
Short-term Debt	-----	-----	-----	-----	18.123	15.358	17.358
Accrued Stock Payable	-----	-----	-----	0.778	-----	-----	-----
Other Payables and Accruals	0.122	0.106	0.345	0.174	1.463	1.099	1.144
Total Current Liabilities	0.122	0.106	0.345	0.952	19.586	16.457	18.502
Total Long-Term Debt	0.080	0.110	0.120	0.120	0.100	-----	-----
Other Liabilities	-----	-----	-----	-----	-----	-----	-----
Preferred Stock	-----	-----	-----	-----	-----	5.700	5.700
Common Shareholders' Equity	0.775	0.757	0.546	1.417	5.044	5.857	7.184

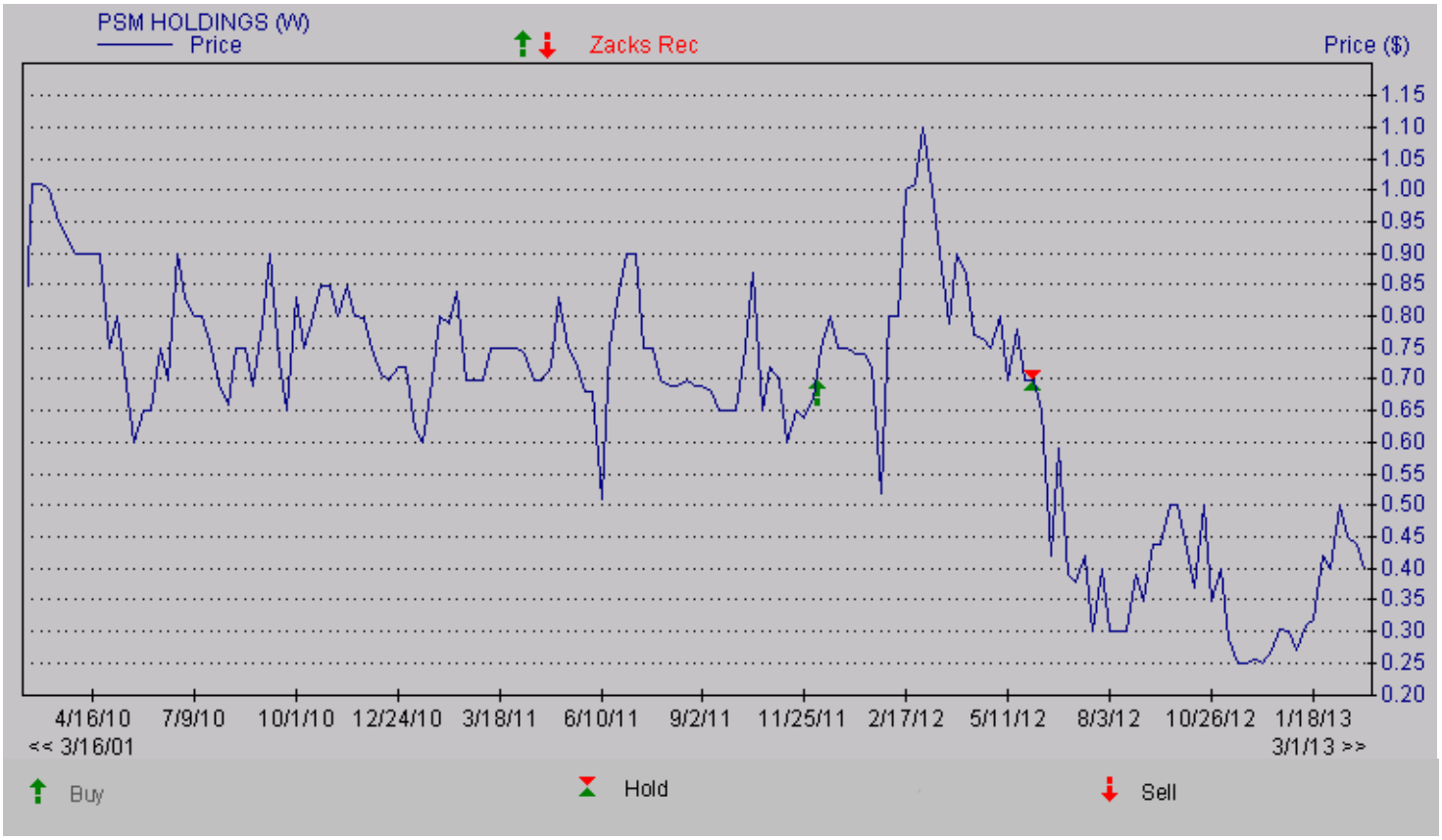
PSM Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2012				2013			
	Q1 A	**Q2 A**	**Q3 A**	**Q4 A**	**Q1A**	**Q2A**	**Q3E**	**Q4E**
Revenues	2.182	3.427	3.551	5.024	5.929	6.045	5.879	6.637
Brokerage Commissions	0.760	1.851	1.323	2.069	2.431	2.547	2.469	2.787
Wages	0.907	1.276	1.562	1.538	1.551	1.667	1.733	1.750
Total Compensation	1.667	3.127	2.885	3.608	3.982	4.214	4.202	4.537
SG&A	1.554	0.904	2.007	1.653	1.651	1.579	1.588	1.596
Depreciation & Amortization	0.094	0.004	0.081	0.061	0.061	0.062	0.061	0.061
Taxes & Other Income (Expense)	0.002	0.067	0.035	(0.003)	(0.002)	0.022	0.039	(0.047)
Zacks Adjusted Income before NRI	(1.131)	(0.541)	(1.387)	(0.301)	0.233	0.212	0.067	0.396
GAAP Net Income	(1.131)	(0.541)	(1.387)	(0.301)	0.233	0.212	0.067	0.396
Diluted EPS before NRI	(0.05)	(0.02)	(0.05)	(0.01)	0.01	0.01	0.00	0.01
Reported EPS	(0.05)	(0.02)	(0.05)	(0.01)	0.01	0.01	0.00	0.01
Dividends Per Share	-----	-----	-----	-----	-----	-----	-----	-----
Balance Sheet								
Cash & Marketable Securities	0.470	0.360	0.235	0.355	0.566	0.916	6.498	6.942
Receivables	0.389	11.504	12.316	19.216	13.431	15.458	15.958	16.458
Other Current Assets	0.097	0.048	0.438	0.448	0.076	0.063	0.068	0.073
Total Current Assets	0.956	11.912	12.989	20.019	14.073	16.437	22.524	23.473
Net Property/Plant/Equipment	0.170	0.227	0.493	0.469	0.463	0.441	0.436	0.431
Loans and Notes Receivable	0.600	0.596	0.591	0.593	0.585	0.606	0.604	0.602
Intangibles	3.358	3.933	3.586	3.637	3.601	3.565	3.528	3.492
Other Assets	0.017	0.016	0.012	0.012	0.014	0.014	0.014	0.016
Total Assets	5.101	16.684	17.671	24.730	18.736	21.063	27.106	28.014
Short-term Debt	-----	11.034	11.862	18.123	12.428	14.592	14.858	15.358
Accrued Stock Payable	0.386	-----	-----	-----	0.077	-----	-----	-----
Other Payables and Accruals	0.414	0.637	1.334	1.463	1.236	1.078	1.088	1.099
Total Current Liabilities	0.800	11.671	13.196	19.586	13.741	15.670	15.946	16.457
Total Long-Term Debt	0.120	-----	-----	0.100	-----	-----	-----	-----
Other Liabilities	-----	-----	-----	-----	-----	-----	-----	-----
Preferred Stock	-----	-----	-----	-----	-----	-----	5.700	5.700
Common Shareholders' Equity	4.181	5.013	4.475	5.044	4.995	5.393	5.460	5.857

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Investment Research ("ZIR") and Zacks Small-Cap Research ("Zacks SCR") and the issuers covered by the Zacks SCR analysts in the Small-Cap Universe.

ZIR or Zacks SCR Analysts do not hold or trade securities in the issuers which they cover. Each analyst has full discretion on the rating and price target based on their own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for non-investment banking services. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or blog.

ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Zacks SCR has never received compensation for investment banking services on the small-cap universe. Zacks SCR does not expect received compensation for investment banking services on the small-cap universe. Zacks SCR has received compensation for non-investment banking services on the small-cap universe, and expects to receive additional compensation for non-investment banking services on the small-cap universe, paid by issuers of securities covered by Zacks SCR. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, and investment management.

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Because of individual objectives, the report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change. Reports are not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. Zacks SCR uses the following rating system for the securities it covers. Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters. Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters. Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution of Zacks Ratings is as follows on the 1004 companies covered: Buy/Outperform- 15.2%, Hold/Neutral- 77.6%, Sell/Underperform – 6.7%. Data is as of midnight on the business day immediately prior to this publication.