Zacks Small-Cap Research

June 24, 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: Third Quarter Update

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	05/31/2012
Current Price (06/21/13)	$0.32
Twelve- Month Target Price	**$0.30**

OUTLOOK

PSMH posted a net loss of $1.4 million, or a loss of $0.05 per share, for the third fiscal quarter ending March 31, 2013. Results included a $0.5 million one-time charge to provide a reserve for notes receivable and employee advances. Excluding this item, the net loss was $0.9 million, or a loss per share of $0.03. Relative to the year-ago quarter, the net loss and loss per share were essentially flat at $1.4 million and $0.05, respectively. Revenues jumped 25% year over year to $4.4 million as loan production advanced 36% to $143 million, partly offset by a slide in the gross profit margin to 3.12% from 3.39% in the year-ago quarter. Total operating expenses increased 20% to $5.9 million, largely the result of higher compensations costs. On a quarterly sequential basis, total revenues dropped 26% due to a 16% slide in loan production volume and a 42 basis-point decline in the gross profit margin, principally reflecting a larger contribution from lower margin lending markets. We note that the third quarter is usually the weakest of the year, and this year proved no exception. Total operating expenses rose 2%, despite the decline in loan production as brokerage commissions rose due to increased competitive compensation pressures for the best loan officers. The third quarter fell short of our expectation for break-even earnings and EPS, primarily reflecting lower-than-anticipated loan production and margins and related revenues. We have lowered our estimates of net income and diluted EPS for 2013 and 2014. First, we have raised our brokerage commission expense estimate. Second, we have reduced our gross profit margin estimate by roughly 10 basis points.

SUMMARY DATA

52-Week High	**$0.59**
52-Week Low	**$0.18**
One-Year Return (%)	**-45.76**
Beta	**0.36**
Average Daily Volume (sh)	**8,604**
Shares Outstanding (mil)	**29**
Market Capitalization ($mil)	**$9**
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	**N/A**
P/E using 2014 Estimate	**32.0**
Zacks Rank	**3**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Fin-Mtg&Rel Svs**
Zacks Rank in Industry	**8 of 12**

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	4.4 A	6.4 E	22.7 E
2014					26.4 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	$(0.05)A	$0.00E	$(0.03)E
2014					$0.01E

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

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

THIRD QUARTER UPDATE

PSMH posted a net loss of $1.4 million, or a loss of $0.05 per diluted share, for the third fiscal quarter ending March 31, 2013. Results included a $0.5 million one-time charge to provide a reserve for notes receivable and employee advances, both of which are deemed uncollectible. Excluding this item, the net loss was $0.9 milllion, or a loss per share of $0.03.

Relative to the year-ago quarter, which includes all of PSMH's five acquisitions and the initial impact from Costco, the net loss and loss per share were essentially flat at $1.4 million and $0.05, respectively. Revenues jumped 25% year over year to $4.4 million as loan production advanced 36% to $143 million, partly offset by a slide in the gross profit margin to 3.12% from 3.39% in the year-ago quarter. Total operating expenses increased 20% to $5.9 million, largely the result of higher compensations costs.

On a quarterly sequential basis, total revenues dropped 26% due to a 16% slide in loan production volume and a 42 basis-point decline in the gross profit margin, principally reflecting a larger contribution from lower margin lending markets. We note that the third quarter is usually the weakest of the year, and this year proved no exception. While PSMH's gross profit margin typically ranges in a 2.7-4.3% band, as loan production shifts from higher margin offices to lower margin offices, this depresses the gross profit margin.

Total operating expenses rose 2%, despite the decline in loan production as brokerage commissions rose to 46.4% of total revenues from 42.1% of revenues due to increased competitive compensation pressures for the best loan officers. This higher level of commissions is likely to continue going forward.

The third quarter fell short of our expectation for break-even earnings and EPS, primarily reflecting lower-than-anticipated loan production and margins and related revenues.

Total revenues were $4.4 million, which compares to our $5.9 million estimate, with the shortfall mainly the result of loan volume that was $30 million, or 16%, below our projection of $173 million and a 3.12% gross profit margin that was 28 basis points under our 3.40% estimate.

In other news, PSMH has made several important announcements over the past few months.

- On June 17, 2013, PSMH announced the opening of a new office in Moab, Utah, to be manned by industry veteran Nicole Bierschied. The office is part of the Grand Junction center, doing business as Fidelity Mortgage.

- 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.

- 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.

We have lowered our estimates of net income and diluted EPS for 2013 and 2014. First, we have raised our brokerage commission expense estimate to 46.4%, the same as it was in 2013's third quarter, from 42.0% as PSMH expects this higher level of commissions to continue over the medium term. Second, we have reduced our gross profit margin estimate by roughly 10 basis points in each year, to 3.27% in 2013 and to 3.18% in 2014, as we expect more loan production to be derived from lower margin offices.

Our new projections for the 2013 fiscal year ending June 30, 2013 call for a net loss of $0.9 million and a loss per share of $0.03, which compares to our previous estimates of net earnings and diluted EPS of $0.9 million and $0.02, respectively. For 2014, we have reduced our net earnings estimate to $0.4 million from $1.3 million and our diluted EPS estimate to $0.01 from $0.03.

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 offices in Newark, New Jersey and St. Louis, Missouri during the second quarter and an office in Moab, Utah in the fourth quarter) could also add significantly to total volume. 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.

Based on current industry consolidation, the Company has no plans for additional acquisitions and rather believes it will add significant volume and production from recruiting loan officers and mortgage brokers to join its platform.

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 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.

PSMI is currently servicing leads originated in Oklahoma, Texas, New Mexico, Arkansas, Florida, Oregon, Washington, and Missouri, though other states will be added later in a two-stage process. During the first stage, PSMI will add the states of Colorado, Utah, Nebraska, Iowa, and Montana to its Costco MSP and during the second stage, PSMI will add California, New Jersey, and Virginia.

The Costco relationship has significant revenue-enhancing potential. The Company is currently generating more than 1,000 leads per month, and closing roughly 15% of leads, within the 10-24% conversion experience of other Costco mortgage providers. Just as important, PSMI accounts for a large share (roughly 40%) of Costco volume in the states in which it operates.

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. However, the majority of all loans originated have already been agreed to be purchased by investors prior to funding.

- 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 for 2013 and 2014. First, we have raised our brokerage commission expense estimate to 46.4%, the same as it was in 2013's third quarter, from 42.0% as PSMH expects this higher level of commissions to continue over the medium term. Second, we have reduced our gross profit margin estimate by roughly 10 basis points in each year, to 3.27% in 2013 and to 3.18% in 2014, as we expect more loan production to be derived from lower margin offices.

Our new projections for the 2013 fiscal year ending June 30, 2013 call for a net loss of $0.9 million and a loss per share of $0.03, which compares to our previous estimates of net earnings and diluted EPS of $0.9 million and $0.02, respectively. For 2014, we have reduced our net earnings estimate to $0.4 million from $1.3 million and our diluted EPS estimate to $0.01 from $0.03.

- 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.

- We note that PSMH expects to be generating monthly loan production under the new business model of $100 million or more by fall 2013 (previously by late spring 2013 and by the end of the first fiscal quarter of 2013 prior to that) and of $200 million by fall 2014 (previously by spring 2014 and the end of the third fiscal quarter of 2013 before that), including originations from acquisitions and/or other sources that have not yet been completed or disclosed. Our projections are based upon disclosed acquisitions/on-boardings only and are significantly lower than those of PSMH.

- Our projections show annual non-Costco mortgage loan originations of $631 million for fiscal 2013. This compares to our prior estimate of $660 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 remains roughly $740 million, an 18% increase over our 2013 estimate.

- Our projections show Costco mortgage loan originations of about $64 million in fiscal 2013, compared to $65 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 $90 million to $85 million, a 34% increase over our 2013 estimate.

- We are reducing our gross profit margin estimates to 3.27% from 3.38% in fiscal 2013 and to 3.18% from 3.27% 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 6.37 million warrants will not be exercised during the forecast period.

- No dividend payments on the common stock 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 fiscal 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 2014 fiscal year, the first in its history as a public company. Our current projections show diluted EPS of $0.01 for the year ending June 30, 2014.

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

Using Price/Book Value, we note that PSMH is currently valued at 1.8X. This is well below PSMH's average Price/Book Value since it became a public company of 14.0X and of 3.9X since it implemented its new business model. Applying the 3.9X to our book value per share 12 months out results in a price of approximately $0.50.

Turning to the Price/Earnings valuation measure, PSMH is trading at 32.0X for fiscal 2014, well above the Zacks small-cap financial services index median of 8.5X. Applying the 8.5X industry P/E ratio to our 2014 EPS estimate results in a target price of about $0.10.

Taking the midpoint of these two different valuation metrics, we arrive at a target price of $0.30, which we believe best represents prospects for PSMH's share price twelve months out.

The stock is up 8.5% year to date, below the S&P 500's 11.7% and the median for the small-cap financial services index at 9.7%.

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	**8.5**	**N/A**	**N/A**	**32.0**	**N/A**	**1.8**	**Neg**	**Neg**	**Neg**	**Neg**	**-----**
S&P 500	**11.7**	**16.4**	**14.8**	**13.9**	**16.7**	**4.3**	**27.2**		**8.6**		**2.0**
Median	**9.7**	**9.6**	**9.9**	**8.5**	**10.1**	**1.4**	**15.0**	**13.5**	**4.5**	**6.0**	**-----**
Average	4.8	12.0	11.4	9.3	11.3	2.2	13.0	(4.72)	5.07	(4.0)	1.4
High	42.9	31.0	17.2	14.1	20.6	13.3	59.2	45.20	31.48	33.5	11.4
Low	(35.5)	6.1	7.6	7.2	5.7	0.5	(23.3)	(261.39)	(10.05)	(158.5)	-----

*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	22.701	26.359
Brokerage Commissions	2.167	2.943	3.297	3.045	6.004	9.954	12.231
Wages	0.316	-----	-----	-----	5.284	6.718	7.250
Total Compensation	2.483	2.943	3.297	3.045	11.288	16.672	19.481
SG&A	0.551	0.909	4.852	2.852	6.119	6.905	6.726
Depreciation & Amortization	0.071	0.070	0.070	0.081	0.239	0.244	0.244
Taxes & Other Income (Expense)	0.017	(0.004)	0.021	0.038	0.102	0.075	0.115
Zacks Adjusted Income before NRI	(0.549)	(0.674)	(4.365)	(2.077)	(3.360)	(1.045)	0.023
GAAP Net Income	(0.704)	(0.674)	(4.365)	(2.077)	(3.360)	(1.045)	0.023
Diluted EPS before NRI	(0.04)	(0.05)	(0.33)	(0.15)	(0.13)	(0.03)	0.01
Reported EPS	(0.05)	(0.05)	(0.33)	(0.15)	(0.13)	(0.03)	0.01
Dividends Per Share	-----	-----	-----	-----	-----	-----	-----
Balance Sheet							
Cash & Marketable Securities	0.071	0.125	0.106	0.021	0.355	4.868	5.084
Receivables	0.075	0.090	0.154	0.041	19.216	14.497	16.497
Other Current Assets	-----	-----	0.060	0.196	0.448	0.123	0.143
Total Current Assets	0.146	0.215	0.320	0.258	20.019	19.488	21.724
Net Property/Plant/Equipment	0.036	0.028	0.017	0.025	0.469	0.432	0.412
Loans and Notes Receivable	0.100	0.094	0.097	0.601	0.593	0.107	0.099
Intangibles	0.695	0.636	0.577	1.596	3.637	3.492	3.347
Other Assets	-----	-----	-----	0.009	0.012	0.019	0.023
Total Assets	0.977	0.973	1.011	2.489	24.730	23.538	25.605
Short-term Debt	-----	-----	-----	-----	18.123	13.397	15.397
Accrued Stock Payable	-----	-----	-----	0.778	-----	-----	-----
Other Payables and Accruals	0.122	0.106	0.345	0.174	1.463	1.066	1.109
Total Current Liabilities	0.122	0.106	0.345	0.952	19.586	14.463	16.506
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	3.375	3.399

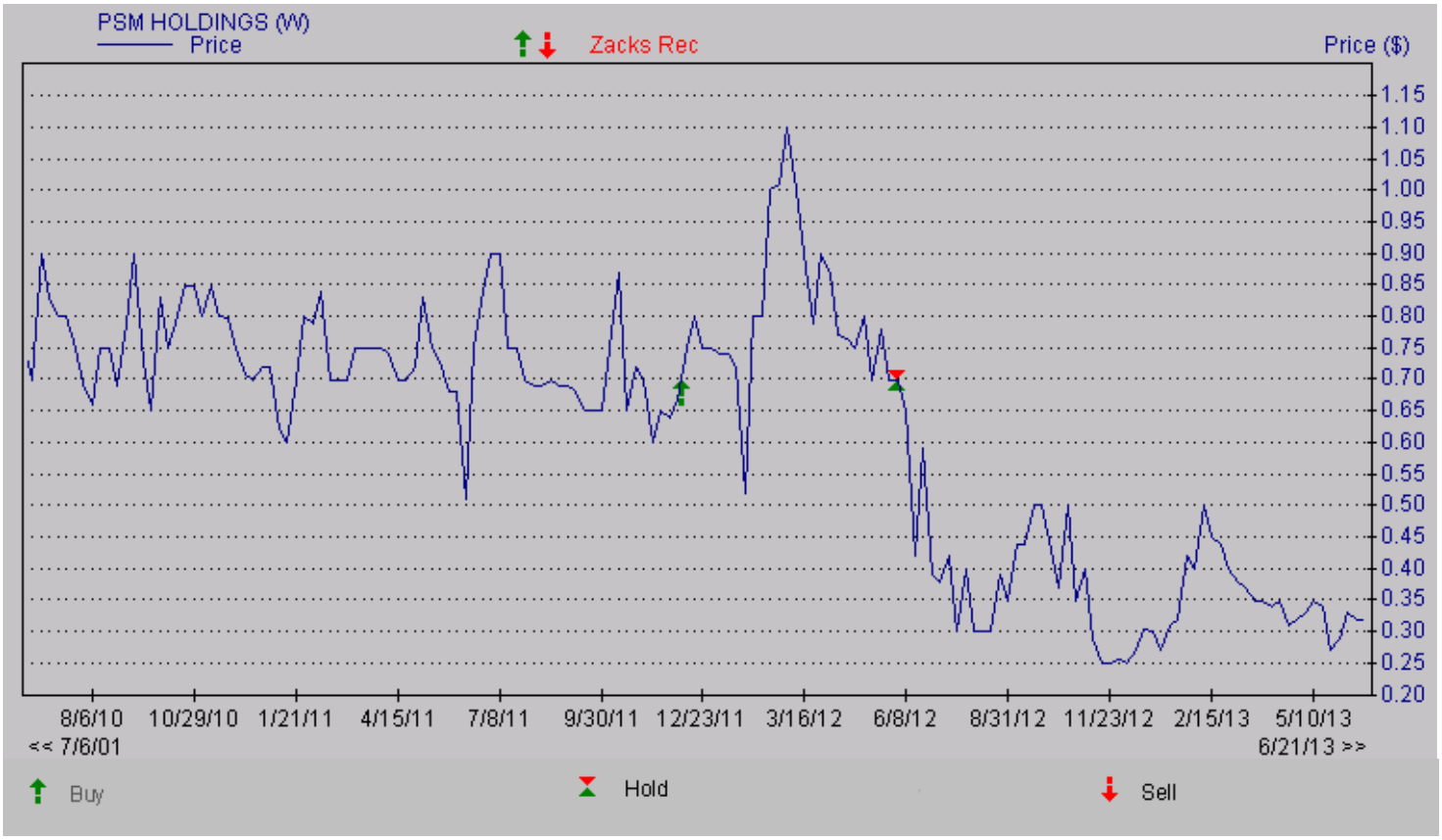
PSM Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2012				2013			
	Q1 A	**Q2 A**	**Q3 A**	**Q4 A**	**Q1A**	**Q2A**	**Q3A**	**Q4E**
Revenues	2.182	3.427	3.551	5.024	5.929	6.045	4.449	6.279
Brokerage Commissions	0.760	1.851	1.323	2.069	2.431	2.547	2.063	2.913
Wages	0.907	1.276	1.562	1.538	1.551	1.667	1.750	1.750
Total Compensation	1.667	3.127	2.885	3.608	3.982	4.214	3.813	4.663
SG&A	1.554	0.904	2.007	1.653	1.651	1.579	2.075	1.600
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	0.027	0.028
Zacks Adjusted Income before NRI	(1.131)	(0.541)	(1.387)	(0.301)	0.233	0.212	(1.473)	(0.017)
GAAP Net Income	(1.131)	(0.541)	(1.387)	(0.301)	0.233	0.212	(1.473)	(0.017)
Diluted EPS before NRI	(0.05)	(0.02)	(0.05)	(0.01)	0.01	0.01	(0.05)	0.00
Reported EPS	(0.05)	(0.02)	(0.05)	(0.01)	0.01	0.01	(0.05)	0.00
Dividends Per Share	-----	-----	-----	-----	-----	-----	-----	-----
Balance Sheet								
Cash & Marketable Securities	0.470	0.360	0.235	0.355	0.566	0.916	5.177	4.868
Receivables	0.389	11.504	12.316	19.216	13.431	15.458	13.997	14.497
Other Current Assets	0.097	0.048	0.438	0.448	0.076	0.063	0.118	0.123
Total Current Assets	0.956	11.912	12.989	20.019	14.073	16.437	19.292	19.488
Net Property/Plant/Equipment	0.170	0.227	0.493	0.469	0.463	0.441	0.437	0.432
Loans and Notes Receivable	0.600	0.596	0.591	0.593	0.585	0.606	0.109	0.107
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	0.019	0.019
Total Assets	5.101	16.684	17.671	24.730	18.736	21.063	23.385	23.538
Short-term Debt	-----	11.034	11.862	18.123	12.428	14.592	13.238	13.397
Accrued Stock Payable	0.386	-----	-----	-----	0.077	-----	-----	-----
Other Payables and Accruals	0.414	0.637	1.334	1.463	1.236	1.078	1.055	1.066
Total Current Liabilities	0.800	11.671	13.196	19.586	13.741	15.670	14.293	14.463
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	3.392	3.375

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 1022 companies covered: Buy/Outperform- 15.1%, Hold/Neutral- 78.2%, Sell/Underperform – 6.1%. Data is as of midnight on the business day immediately prior to this publication.