PSM HOLDINGS, INC. and SUBSIDIARY

FINANCIAL REPORT

March 31, 2009 and 2008

PSM HOLDINGS, INC.
AND SUBSIDIARY
BALANCE SHEETS
March 31, 2009 and 2008

(Unaudited)

	2009	2008
ASSETS		
Current Assets		
Cash	$ 8,576	$ 14,267
Accounts receivable, net of allowance for doubtful accounts 2009, $12,500 and 2008, $0 (Note 2)	45,552	55,728
Total current assets	54,128	69,995
Marketable securities (Note 5)	35,668	59,321
Property and equipment (Note 3)	30,224	33,531
Loan and notes receivable (Note 7)	92,081	121,258
NWBO License, net of accumulated amortization, 2009, $174,486 and 2008, $115,557 (Note 11)	650,513	709,442
Total Assets	$ 862,614	$ 993,547
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 57,892	$ 122,973
Payroll taxes payable	7,304	6,141
Bank overdraft	9,749	-
Total current liabilities	74,945	129,114
Long-term Liabilities		
Due to a related party (Note 7)	120,000	40,000
Total long-term liabilities	120,000	40,000
Deferred income taxes (Note 8)	-	-
Total Liabilities	194,945	169,114
Stockholders' Equity		
Common stock, 100,000,000 shares authorized: $0.001 par value, 12,912,367 shares issued and outstanding (Note 9)	12,912	12,893
Preferred stock, 10,000,000 shares authorized: $0.001 par value, no shares issued and outstanding	-	-
Treasury stock, at cost (shares held: 21,600)	(22,747)	-
Additional paid-in-capital	3,451,744	3,233,463
Retained earnings	(2,753,041)	(2,425,089)
Accumulated other comprehensive income (loss), net of deferred tax	(21,199)	3,166
Total stockholders' equity	667,669	824,433
Total Liabilities and Stockholders' Equity	$ 862,614	$ 993,547

The accompanying notes are an integral part of these financial statements.

PSM HOLDINGS, INC.
AND SUBSIDIARY
STATEMENTS OF INCOME
NINE MONTHS ENDED
March 31, 2009 and 2008

(Unaudited)

	2009	2008
Revenues	$ 2,321,189	$ 1,672,247
Operating expenses		
Commissions	2,096,528	1,433,891
Advertising	13,106	19,512
Appraisal	600	4,290
Auto	2,867	6,374
Bad debt expense	12,500	-
Bank charge	1,817	2,372
Branch development	34,272	49,053
Charity	825	1,191
Consulting	83,849	22,915
Convention costs	44,098	60,083
Copier-computer maintenance	1,513	3,549
Depreciation and amortization	52,188	53,972
Dues and subscriptions	6,678	6,162
Entertainment and meals	3,508	2,206
Fees and other expenses	1,407	40,160
Freight	4,964	7,462
HUD fee	900	900
Insurance	15,067	37,056
Interest expense	4,784	4,164
Internet-webpage	12,746	179
Office	5,139	23,452
Professional and legal fees	79,480	61,016
Rent	34,492	33,814
Repairs	237	(28)
Taxes and licenses	41,660	30,965
Telephone	13,962	12,421
Training	357	1,135
Travel	17,013	16,098
Wages	236,395	238,731
Total expenses	2,822,952	2,173,095
Net operating loss from continuing operations	(501,763)	(500,848)
Other income and expense		
Interest and dividends	7,419	14,002
Realized gain (loss) on sale of securities	(2,713)	3,149
Forgiveness of debt	167,038	240,764
Miscellaneous income	26,660	12,997
Net loss from continuing operations before income taxes	(303,359)	(229,936)
Income tax benefit (expense) (Note 7)	-	-
Net loss from continuing operations	(303,359)	(229,936)
Discontinued operations		
Loss from operations of discontinued component before inome taxes	-	(154,611)
Net Loss	$ (303,359)	$ (384,547)
Loss per common share (Note 11)	$ (0.02)	$ (0.03)

The accompanying notes are an integral part of these financial statements.

PSM HOLDINGS, INC.
AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED
March 31, 2009 and 2008

(Unaudited)

	2009	2008
Cash flows from operating activities:		
Net loss	$ (303,359)	$ (384,547)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	52,188	55,172
(Gain) Loss on sales of marketable securities	2,713	(3,149)
Forgiveness of debt	167,038	240,764
Commissions	(167,038)	(240,764)
Share based payment awards	16,300	-
Bad debt expense	12,500	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Decrease in accounts receivable	17,244	12,403
Increase in accrued interest receivable	(883)	(1,648)
(Decrease) increase in:		
Increase (decrease) in accounts payable	(50,715)	33,172
Decrease in accrued liabilities	(1,411)	(6,697)
Increase in bank overdraft	4,957	-
Net cash used by operating activities	(250,466)	(295,294)
Cash flows from investing activities:		
Purchase of property and equipment	(2,680)	-
Payments on loans and notes receivable	9,152	44,961
Proceeds from the sale of marketable securities	30,798	13,168
Purchase of marketable securities	(32,097)	(10,711)
Net cash provided by investing activities	5,173	47,418
Cash flows from financing activities:		
Proceeds from issuing equity instruments	-	120,000
Stock transferred from Company President	167,038	
Stock issued to branch owners	(167,038)	
Capital contribution	202,000	9,700
Loan from related party	40,000	-
Net cash provided by financing activities	242,000	129,700
Net (decrease) in cash	(3,293)	(118,176)
Cash at beginning of period	11,869	132,443
Cash at end of period	$ 8,576	$ 14,267

See Note 4 for additional Statement of Cash Flows disclosures

The accompanying notes are an integral part of these financial statements.

PSM HOLDINGS, INC.
AND SUBSIDIARY
STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
NINE MONTHS ENDED
March 31, 2009 and 2008

(Unaudited)

	Shares Issued	Common Stock	Treasury Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance June 30, 2007	12,836,872	$ 12,837	$ -	$ 3,103,819	$ (2,040,542)	$ 14,940	$ 1,091,054
Stock sold under stock purchase plan	56,495	56	-	119,944	-	-	120,000
Stock transferred from President	(142,256)	(142)	-	(240,622)	-	-	(240,764)
Stock issued to branch owners	142,256	142	-	240,622	-	-	240,764
Capital Contributions	-	-	-	9,700	-	-	9,700
Other comprehensive income Unrealized loss on marketable securities, net of income tax	-	-	-	-	-	(11,774)	(11,774)
Net loss for nine months ended March 31, 2008	-	-	-	-	(384,547)	-	(384,547)
Comprehensive loss March 31, 2008	-	-	-	-	-	-	(396,321)
Balance March 31, 2008	12,893,367	$ 12,893	$ -	$ 3,233,463	$ (2,425,089)	$ 3,166	$ 824,433
Balance June 30, 2008	12,893,367	$ 12,893	$ (22,747)	$ 3,233,463	$ (2,449,682)	$ 1,002	$ 774,929
Stock transferred from President	(220,325)	(220)	-	(166,818)	-	-	(167,038)
Stock issued to branch owners	220,325	220	-	166,818	-	-	167,038
Stock issued - stock issuance plan (Note 9)	19,000	19	-	16,281	-	-	16,300
Capital Contributions	-	-	-	202,000	-	-	202,000
Other comprehensive income Unrealized loss on marketable securities, net of income tax	-	-	-	-	-	(22,201)	(22,201)
Net loss for nine months ended March 31, 2009	-	-	-	-	(303,359)	-	(303,359)
Comprehensive loss March 31, 2009	-	-	-	-	-	-	(325,560)
Balance March 31, 2009	12,912,367	$ 12,912	$ (22,747)	$ 3,451,744	$ (2,753,041)	$ (21,199)	$ 667,669

The accompanying notes are an integral part of these financial statements.

PSM HOLDINGS, INC.
AND SUBSIDIARY
Notes to Financial Statements
March 31, 2009 and 2008

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Background

The Company incorporated under the laws of the State of Utah on March 12, 1987, as Durban Enterprises, Inc. The Company was organized to engage in any lawful activity for which corporations may be organized, and primarily to acquire investments of all natures and types, to form and support other corporations. The Company had not engaged in any activities that have produced significant revenues, until it acquired the shares of its subsidiary PrimeSource Mortgage, Inc.

On July 19, 2001, Durban Enterprises, Inc., created a wholly owned subsidiary called Durban Holdings, Inc., a Nevada corporation, to facilitate changing the domicile of the Company to Nevada. On August 17, 2001, Durban Enterprises, Inc. merged with and into Durban Holdings, Inc., leaving the Nevada Corporation as the survivor. The Company retained the originally authorized 100,000,000 shares at $0.001 par value.

On May 18, 2005, Durban Holdings, Inc. completed the acquisition of all of the outstanding stock of PrimeSource Mortgage, Inc., a Texas corporation, by a stock for stock exchange in which the stockholders of PrimeSource Mortgage, Inc. received 10,250,000 shares, or approximately 92% of the outstanding stock of the Company. Following the acquisition, effective May 18, 2005, the name of the parent "Durban Holdings, Inc.", was changed to "PSM Holdings, Inc." For reporting purposes, the acquisition was treated as an acquisition of the Company by PrimeSource Mortgage, Inc. (reverse acquisition) and a recapitalization of PrimeSource Mortgage, Inc. The historical financial statements prior to May 18, 2005, are those of PrimeSource Mortgage, Inc. Goodwill was not recognized from the transaction.

The Company's common stock is currently quoted on the Pink Sheets under the symbol "PSMH."

Business Activity

PrimeSource Mortgage, Inc., the wholly owned subsidiary of PSM Holdings, Inc. was incorporated February 15, 1991 under the laws of the State of Texas. The Company became a wholly owned subsidiary of PSM Holdings, Inc., a Nevada corporation, on May 18, 2005. PrimeSource Mortgage, Inc. acts as an agent or broker for mortgage lenders in real estate mortgage loan transactions, and solicits and receives applications for secured or unsecured loans. PrimeSource Mortgage, Inc. establishes Independent Network Office Agreements with originators who act as an independent contractor to originate mortgage applications for submission to lenders under the terms and conditions provided in the Network Office Agreement. PrimeSource Mortgage, Inc. pays the originators commissions and fees based on a split schedule accepted and agreed to by PrimeSource Mortgage, Inc., the respective lenders and the originators. PrimeSource Mortgage, Inc. will then return to the originator a percentage of the commission and fee split in stock awards. The Network Office Agreements are effective for a period of 30 days, and are automatically extended for 30 day periods until they are cancelled. The Company does not extend credit to its customers. The Company primarily operates and is licensed in the following 21 states: Alaska, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, New Mexico, Oklahoma, South Dakota, Tennessee, Texas, Washington, and Wyoming.

Significant Accounting Policies

The following summary of significant accounting policies of the Company is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are the representation of PSM Holdings, Inc.'s management who is responsible for their integrity and objectivity. The financial statements of the Company conform to accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Principles of Consolidation

The consolidated financial statements include the accounts of PSM Holdings, Inc. and its wholly owned subsidiary PrimeSource Mortgage, Inc. All material intercompany transactions have been eliminated in consolidation.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates. Significant estimates include the value of other non-current assets, estimated depreciable lives of property, plant and equipment, estimated valuation of deferred tax assets due to net operating loss carryforwards and estimates of uncollectible amounts of loans and notes receivable.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and cash in checking and savings accounts, and all investment instruments with an original maturity of three months or less.

Accounts Receivable

Accounts receivable represent commissions earned on closed loans and fees charged to new branch offices that the Company has not yet received payment. Accounts receivable are stated at the amount management expects to collect from balances outstanding at period-end. The Company estimates the allowance for doubtful accounts based on an analysis of specific accounts and an assessment of the customer or branch owner's ability to pay.

Investments in Marketable Securities

Investments consist of equity securities categorized as available-for-sale which includes securities that are not classified in either the held-to-maturity category or the trading category. In accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities, the securities are recognized at fair value, with unrealized holding gains and losses included as other comprehensive income, net of any deferred income taxes and reported as a net amount in a separate component of stockholders' equity until realized.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization have been provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures and office equipment	5-7 years
Computer equipment	5 years

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. In addition, there is the deferred tax asset which represents the economic value of various tax carryovers.

Taxes Collected and Remitted to Governmental Authorities

When applicable, the Company collects New Mexico gross receipts taxes from its customers and remits them to the required governmental authorities. Related revenues are reported net of applicable taxes collected and remitted to governmental authorities.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the nine months ended March 31, 2009 and 2008 was $13,106 and $25,356 respectively.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Based Payment Plan

Under the 2002 Stock Option/Stock Issuance Plan, the Company can grant stock or options to employees, related parties, and unrelated contractors in connection with the performance of services provided to the Company by the awardees. The Branch Owner Stock Program provides for issuance of stock to branch owners for outstanding performance. The Company uses the fair value method pursuant to SFAS 123 – *Accounting for Stock Based Compensation* to account for employee stock compensation costs and to account for share based payments to non-employees.

Revenue Recognition

The Company's revenue is derived primarily from revenue earned from the origination of mortgage loans that are funded by third parties. The Company has a network of independently owned branch offices that originate mortgage loans from which the Company receives a percentage of the fees earned by the branch. The revenue is recognized as earned on the later of the settlement date or the funding date of the loan.

The Company also generates approximately 2% of its revenue from fees charged to new branch offices for joining our network. The fee is recognized as revenue when the new branch signs agreements to join the network, in accordance with generally accepted accounting principles.

Selling, general, and administrative costs are charged to expense as incurred.

NOTE 2 – ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable is presented on the balance sheet net of estimated uncollectible amounts. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. Changes in the allowance for doubtful accounts during the nine months ended March 31, 2009 and 2008 were as follows:

	2009	2008
Allowance for doubtful accounts, July 1	$ -	$ -
Additions charged to expenses	12,500	-
Allowance for doubtful accounts, March 31	$ 12,500	$ -

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2009 and 2008 is summarized as follows:

	2009	2008
Fixtures and equipment	$ 114,563	$ 107,642
Accumulated depreciation	(84,339)	(74,111)
Net property and equipment	$ 30,224	$ 33,531

Depreciation expense for the nine months ended March 31,June 30, 2009 and 2008 was $7,991 and $10,900, respectively.

NOTE 4 – STATEMENTS OF CASH FLOWS ADDITIONAL DISCLOSURES

Supplemental disclosures and non-cash transactions during the nine months ended March 31, 2009 and 2008 were as follows:

	2009	2008
Cash paid for interest	$ 4,784	$ 4,164
Non-cash share based payment awards	183,338	240,764
Forgiveness of debt	167,038	240,764

NOTE 5 – INVESTMENTS IN MARKETABLE SECURITIES

Cost and fair value of marketable securities at March 31, 2009 and 2008, are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2009				
Available for Sale				
Equity Securities	$ 55,743	$ -	$ (20,075)	$ 35,668
Totals	$ 55,743	$ -	$ (20,075)	$ 35,668
March 31, 2008				
Available for Sale				
Equity Securities	$ 54,868	$ 6,685	$ (2,232)	$ 59,321
Totals	$ 54,868	$ 6,685	$ (2,232)	$ 59,321

Available for sale securities are carried in the financial statements at fair value. Net unrealized holding losses on available for sale securities in the amount of $20,075 and net unrealized holding gains of $4,453 for the nine months ended March 31, 2009 and 2008, respectively, have been included in accumulated other comprehensive income. Estimated income tax related to unrealized holding gains for the periods ending March 31, 2009 and 2008 was $0.

Proceeds from the sale of securities available for sale during the nine months ended March 31, 2009 were $30,798. Net realized losses from the sale of securities available for sale and included in earnings was $2,713. The cost of securities sold is determined by specific identification.

Proceeds from the sale of securities available for sale during the year ended March 31, 2008 were $13,168. Net realized gains from the sale of securities available for sale and included in earnings was $3,149. The cost of securities sold is determined by specific identification.

Temporary impairments

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position at March 31, 2009.

	Less than 12 Months		More than 12 Months		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable						
Equity Securities	$ 31,465	$ (15,187)	$ 4,203	$ (4,888)	$ 35,668	$ (20,075)
Total	$ 31,465	$ (15,187)	$ 4,203	$ (4,888)	$ 35,668	$ (20,075)

Marketable Equity Securities

The Company's investments in marketable equity securities consist primarily of investments in common stock of companies engaged in a variety of industries. The industries and the Company's investees are susceptible to changes in the U.S. economy and the economies of their customers. The severity of the impairments in relation to the carrying amounts of the individual investments is consistent with market developments within the various industries. The Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairments. Based on that evaluation and the Company's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider these investments to be other than temporarily impaired at March 31, 2009.

NOTE 6 – LEASE COMMITMENTS

The Company leases office space in a building that is 100% owned by an LLC whose members are the Company's President and his immediate family. The terms under these lease agreements are that of month-to-month operating leases, and there are no future non-cancelable lease commitments due by the Company. Total rents paid during the nine months ended March 31, 2009 and 2008 were $27,000 and $40,022 respectively. The Company rents various property and equipment under leases and rental agreements with cancellable terms. Total rents paid under these agreements during the nine months ended March 31, 2009 and 2008 were $7,492 and $8,070, respectively. This included $4,500 and $3,000 paid to a related party during the nine months ended March 31, 2009 and 2008 respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company leases office space in a building that is 100% owned by an LLC whose members are the Company's president and his immediate family. This agreement is discussed in Note 6 to the financial statements. The Company rents a vehicle that is owned by the Company's president. The rental is on a month- to-month basis and is cancellable at any time. Monthly rental payments are $500. During the nine months ended March 31, 2009 and 2008 the Company paid $4,500 and $3,000 respectively under the rental agreement.

The following loans to related parties were outstanding as of March 31, 2009 and 2008:

	Original Loan	Balance due March 31, 2009	Balance due March 31, 2008
Unsecured loan to one of the Company's Directors bearing interest at 8.25% annually, due October, 2009	$ 20,000	$ -	$ 20,000
Accrued interest due from Director	-	-	2,550
Unsecured loans to NWBO Corporation (NWBO) bearing interest at 9.25% annually with no defined payment terms	167,000	90,890	95,431
Accrued interest due from NWBO	-	1,191	3,277
	$ 187,000	$ 92,081	$ 121,258

During the year ended June 30, 2007 the Company loaned $20,000 to a director. The loan and accrued interest were repaid in full during the year ended June 30, 2008.

The Company conducted business with a branch office owned by a director of the company. Effective July 1, 2006, PrimeSource Mortgage, Inc. purchased the assets of the Roswell branch in exchange for stock with a fair market value of $33,000 as of the date of purchase. The assets purchased consisted of various office equipment, furniture and fixtures which have been included in property, plant and equipment. When the Company became publicly traded, it was apparent that a Chief Financial Officer (CFO) was needed. As a solution the Company purchased the Roswell Branch and hired the owner, who had previous CFO experience, as CFO of the Company and also to continue to run the Roswell Branch. By 2008 the Roswell Branch was not profitable and it was obvious that one person could not do both jobs. In March 2008 the CFO resigned and reassumed ownership of the Roswell Branch for no consideration. The assets purchased by the Company as a result of the original transaction continue to be owned and used by the Company. No consideration was given for the Roswell branch because no assets or liabilities were received and the branch was unprofitable at the time. For the nine months ended March 31, 2009 the commissions paid under the branch agreement were $179,135 which included share based payments of $15,420. At March 31, 2009 the Company owed the Roswell Branch $5,167 in commissions.

The Company purchases certain services from one of the Company's directors. Cash payments for services purchased during the nine months ended March 31, 2009 and 2008 included in consulting, training and travel expenses in the statements of income were $45,223 and $31,040 respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS (continued)

During the nine months ended March 31, 2009 the Company's President contributed capital to the Company. The following table represents the Company President's contributions:

Capital contribution	$	202,000
Transfer of personal stock to branch owners in exchange for services rendered		167,038
Total contributions from President to Company	$	369,038

During the nine months ended March 31, 2008 the Company's President contributed capital to the Company. During the period the Company's President was issued 56,495 shares of common stock in the amount of $120,000 from the Company. The Company issued 25,000 shares valued at $2.00 per share, 21,739 shares valued at $2.30 and 9,756 shares valued at $2.05. The following table represents the Company's Presidents contributions:

Issuance of common stock to the company president	$	120,000
Non rent of personnel vehicle		2,000
Transfer of personal stock to branch owners in exchange for services rendered		240,764
Total contributions from President to Company	$	362,764

During the nine months ended March 31, 2009 and 2008, the Company's President committed to make loans to the Company in the form of transfers of his personal stock of the Company to branch owners in exchange for services rendered during the periods. As part of his commitment, he has agreed to forgive 100% of the resulting loans to the Company. Transactions under this agreement for the nine months ended March 31, 2009 and 2008 were:

	2009	2008
Fair value of stock transferred, recognized as commissions in the nine months ended March 31	$ 167,038	$ 240,764
Loan amounts forgiven and recognized as forgiveness of debt income in the nine months ended March 31	$ 167,038	$ 240,764

In January 2008, the Company entered into a revolving line of credit from the Company's President to the Holding company for up to $120,000. The term of the note is five years at an adjustable interest rate of the Prime Rate minus .76%. The balance of the note at March 31, 2009 and 2008 was $120,000 and $40,000 respectively.

NOTE 8 – INCOME TAXES

The Company's total deferred tax liabilities, deferred tax assets, and deferred tax asset valuation allowances at March 31, 2009 and 2008 were as follows:

	2009	2008
Deferred tax assets:		
Deferred revenue principally due to accrual for financial reporting purposes	$ 2,808	$ 28,841
Deferred revenue due to non deductible expenses and treatment of marketable securities	30,856	21,217
Net operating loss carryforwards	1,021,273	876,515
Gross deferred tax assets	1,054,937	926,573
Valuation allowance	(1,050,261)	(923,478)
Total	4,676	3,095

NOTE 8 – INCOME TAXES (continued)

Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	4,676	3,095
Total	4,676	3,095
Net deferred tax asset (liability)	$ -	$ -

A reconciliation of the statutory U. S. federal rate and effective rates is as follows:

Statutory U. S. federal rate	34.0%
State income taxes-net of federal benefit	5.3
	39.3%

Deferred income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

The Company's provision for income taxes differs from applying the statutory U. S. Federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

The Company has estimated net operating loss carryforwards as follows: U. S. Federal income tax, expiring 2029 $325,566, expiring 2028, $412,965, expiring 2027, $863,409 and expiring 2026, $996,719 and for state income tax purposes, expiring at various times from five to twenty years, $2,598,659.

NOTE 9 – STOCK ISSUANCE

Following is the status of the share based payment plans during the period ended March 31, 2009.

The Company uses the fair value method pursuant to SFAS 123 – *Accounting for Stock Based Compensation* to account for employee stock compensation costs and to account for share based payments to non-employees. The fair value of each share granted/issued for services is estimated on the grant/issue date using the Black-Scholes pricing model.

During the nine months ended March 31, 2009 the Company issued a total of 19,000 shares to an employee, a branch owner and consultants under the 2002 Stock Option/Stock Issuance Plan. The market value of the shares was $16,300, of which, $5,000 was charged to commissions, $4,000 charged to consulting, $4,550 charged to convention costs and $2,750 charged to wages.

During the nine months ended March 31, 2008, the Company issued stock under its stock issuance plans. The Company issued 56,495 shares of common stock to its president in the amount of $120,000. The issuance occurred as follows:

NOTE 9 – STOCK ISSUANCE (continued)

Authorization	Board meeting authorized	Market Price	Purchase Price	Common Stock	Additional Paid in Capital
25,000 shares	October 29, 2007	2.00	$ 50,000	$ 25	$ 49,975
21,739 shares	November 27, 2007	2.30	50,000	21	49,979
9,756 shares	November 27, 2007	2.05	20,000	10	19,990
56,495 shares			$ 120,000	$ 56	$ 119,944

In the nine months ended March 31, 2009 and 2008, there were no options granted under the 2002 Stock Option/Stock Issuance Plan and at March 31, 2009 and 2008, there were no options outstanding under the plan.

NOTE 10 – FAIR VALUE

The carrying amounts and fair values of the Company's financial instruments at March 31, 2009 and 2008 are as follows:

	March 31, 2009		March 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 8,576	$ 8,576	$ 14,267	$ 14,267
Accounts receivable	45,552	45,552	55,728	55,728
Marketable securities	35,668	35,668	59,321	59,321
Notes receivable	92,081	92,081	121,258	121,258
Financial liabilities				
Accounts payable	$ 57,892	$ 57,892	$ 122,973	$ 122,973
Payroll taxes payable	7,304	7,304	6,141	6,141
Due to a related party	120,000	120,000	40,000	40,000

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value: Cash and cash equivalents, restricted cash and notes receivable are carried at cost, which approximates fair value due to their short-term maturities. Marketable securities are based upon Level 1 inputs obtained from quoted market prices available in active markets and represent the amounts the Company would expect to receive if these marketable securities were sold. The fair value of the Company's other financial instruments approximate their carrying amounts, either because the expected collection or payment period is relatively short or because the terms are similar to market terms.

NOTE 11 – COMMITMENTS

On April 14, 2006, the Company entered into a five-year renewable license agreement with Nationwide By Owner, Inc. ("NWBO"), a Texas based company engaged in the business of marketing real property for sale by owners. In the course of its business, NWBO generates a proprietary system which produces a database of sales leads containing home buyer and home seller information for persons seeking financing on the purchase or refinancing of real property. The license agreement permits exclusive use of the database to be used to generate leads for the origination of mortgage applications for submission to PrimeSource Mortgage, Inc.

NOTE 11 – COMMITMENTS (continued)

The initial cost of the license was $150,000 cash, plus the issuance of 150,000 shares of PSM Holdings, Inc. stock in favor of NWBO and its principals, at a fair value for consideration received of $674,999 on the date of issue. The Company is amortizing the cost of the license over fourteen years, which is the initial five-year period of the agreement, plus three automatic three year renewal terms. Amortization expense recognized in the nine months ended March 31, 2009 was $44,197. Amortization expense to be recognized in the years ending June 30, 2009 through 2019 is $58,929 and the year ending June 30, 2020 is $46,497.

The agreement between NWBO and the Company calls for the establishment of a National Processing Center for the collection, origination and tracking of the sales lead database. As agreed to by NWBO and the Company, the National Processing Center has been delayed until a written approval has been obtained between NWBO and a national marketing company. There are several on-going conversations taking place at this time, but no agreement has been executed. NWBO continues to provide the platform 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 property for exclusive use by the Company. Upon completion of a National Processing Center, the Company has also committed to provide year-end bonuses under the license agreement which the parties can elect to take in cash, stock, or any combination of the two. Bonus cash 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. Should the parties elect to take all or part of the bonus in stock, the number of shares awarded will be calculated according to the base value of the shares as defined in the contract. No accrual has been recorded for the year end bonuses because the National Processing Center has not been established.

Pursuant to the agreement with NWBO, the Company has also committed to pursue obtaining, in good faith and diligently, the appropriate licenses to originate mortgages in all 50 states of the United States of America.

Historically the Company has not gathered data on the number of leads and loans closed, and commissions earned and paid, relating to the NWBO license since the branch offices are independently owned and operated and may choose not to use these lead generating opportunities. Because some of the branches have taken advantage of the NWBO opportunity, management has recently begun tracking some of the results from those offices. From the five offices that have used the NWBO technology, management believes there are approximately 20% of the loans being derived from the NWBO signs. However, management also believes there are other benefits from the association for the branches in the form of marketing exposure and the control of a transaction.

If a prospective buyer calls the telephone number on the NWBO sign while looking for a property, and if they are not already working with a realtor, the branch office has the opportunity not only to generate the loan business, but may also refer a lead prospect to a producing realtor in the market area.

The Company has developed a method to measure the value of the NWBO license. The method is a computation based on income from new and existing branches and an estimate of the value NWBO brings to each of the branches. The computation is prepared each quarter. The computed value of the license is compared to the book value of the license at the end of each quarter to determine if there is any impairment in the carrying value of the license. The book value is determined by the original cost of the license less accumulated amortization as of the end of the quarter. The value of the license recorded on the balance sheet is book value. The book value of the license was less than the computed value at March 31, 2009 and 2008.

NOTE 12 – LOSS PER COMMON SHARE

Loss per common share is computed by dividing net income by the average number of common shares outstanding during the year. The weighted average number of common shares outstanding during the nine months ended March 31, 2009 was 12,902,867.

NOTE 13 – INDUSTRY RISK

The Company is currently building on its plan to add additional branches to increase bottom line revenue while continuing its relationship with Nation Wide By Owner (NWBO); however the Company continues to post significant losses through the period ending March 31, 2009. The development of the national processing center has been temporarily put on hold while NWBO and their potential business partner consider a possible agreement to utilize the NWBO technology. NWBO is instrumental in soliciting new branches for the Company and that is where management is focusing their marketing efforts. Should the Company be unsuccessful in acquiring enough branches to achieve profitability, they may be forced to reduce staff to the level necessary to service the remaining branches in the network.

The mortgage industry has recently gone through a significant consolidation with many sub-prime lenders going out of business. The majority of the lenders in the sub-prime market two years ago are either in bankruptcy proceedings or are no longer in business today. Foreclosures are up significantly causing a credit tightening, making qualifying for loans more difficult for borrowers.

The U.S. housing market as a whole is undergoing a significant contraction with lenders and investors tightening their credit standards, making it likely that mortgage origination volumes will decrease in the short term. Because of the Company's long standing practices of dealing primarily with buyers who qualify for loans in the standard market, not funding loans, and forming relationships with quality lenders, management believes the impact of the current industry crisis on the Company, although it cannot be determined with any certainty, will be minimal.

NOTE 14 – WAREHOUSE LINE OF CREDIT

On August 3, 2008 the Company entered into a warehouse line of credit agreement for up to $1,000,000. The interest rate is 5%. The line of credit provides short term funding for mortgage loans originated by the branches. Originated loans can be funded using the line of credit. The line of credit will then be repaid within 3 to 5 days, when the loan is sold. The Company does not intend to hold and service the loans. The line of credit is used strictly to fund mortgage loans and not to provide operating funds for the Company. During the nine month ending March 31, 2009 there were 57 loans originated from the line of credit worth a total of $4,731,359. No amounts are outstanding on the line as of March 31, 2009.

NOTE 15 – SUBSEQUENT EVENTS

As shown in the accompanying financial statements, the Company incurred a net loss of $303,359 during the nine months ended March 31, 2009, and as of that date, the Company's current liabilities exceeded its current assets by $20,817. In accordance with management's plan to raise capital and reduce liabilities the Company President has been contributing capital. Subsequent to March 31, 2009 additional capital of $263,400 in cash has been contributed to the Company by the Company President.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The Company has evaluated the possible effects on its financial statements of the following accounting pronouncements:

Recently Adopted:

FASB Statement No. 157 – Fair Value Measurements - This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. This statement did not have a significant effect on the financial statements of the Company, and the Company will continue to evaluate its effect.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS (continued)

Effective Subsequent to Period End

FASB Statement No. 141 (revised 2007)-Business Combinations - This Statement applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquirer), including those sometimes referred to as "true mergers" or "mergers of equals" and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. This Statement applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. This Statement replaces FASB Statement No. 141, Business Combinations. This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. Statement 141 did not define the acquirer, although it included guidance on identifying the acquirer, as does this Statement. This Statement's scope is broader than that of Statement 141, which applied only to business combinations in which control was obtained by transferring consideration. By applying the same method of accounting—the acquisition method—to all transactions and other events in which one entity obtains control over one or more other businesses, this Statement improves the comparability of the information about business combinations provided in financial reports. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The effective date of this Statement is the same as that of the related FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements. The statement does not have a significant effect on the financial statements of the Company.

FSP FAS 141(R)-1 Business Combinations - This staff position amends and clarifies FASB Statement No. 141 (revised 2007), *Business Combinations*, and applies to all assets acquired and liabilities assumed in a business combination that arise from contingencies that would be within the scope of Statement 5 if not acquired or assumed in a business combination, except for assets or liabilities arising from contingencies that are subject to specific guidance in Statement 141(R). Subsequent to the issuance of Statement 141(R), preparers, auditors and members of the legal profession expressed concerns about the application of Statement 141(R) to assets and liabilities arising from contingencies in a business combination. In response, a project was added to the Board's agenda to amend the initial recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilties arising from contingencies in a business combination. As with FASB Statement No. 141, this FSP does not have a significant effect on the financial statements of the Company.

FASB Statement No. 160 - Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51 - This Statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. Not-for-profit organizations should continue to apply the guidance in Accounting Research Bulletin No. 51, Consolidated Financial Statements, before the amendments made by this Statement, and any other applicable standards, until the Board issues interpretative guidance. This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Before this Statement was issued, limited guidance existed for reporting noncontrolling interests. As a result, considerable diversity in practice existed. So-called minority interests were reported in the consolidated statement of financial position as liabilities or in the mezzanine section between liabilities and equity. This Statement improves comparability by eliminating that diversity. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. The effective date of this Statement is the same as that of the related Statement 141(R). The Company plans to adopt this statement prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. The statement is not expected to have a significant effect on the financial statements of the Company.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS (continued)

FASB Statement No. 162 – the Hierarchy of Generally Accepted Accounting Principles - This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). The Board is responsible for identifying the sources of accounting principles and providing entities with a framework for selecting the principles used in the preparation of financial statements that are presented in conformity with GAAP. The Board believes that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. Accordingly, the Board concluded that the GAAP hierarchy should reside in the accounting literature established by the FASB and is issuing this Statement to achieve that result. This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company plans to adopt this statement prospectively as of the beginning of the fiscal year in which this Statement is initially applied. The statement is not expected to have a significant effect on the financial statements of the Company.

EITF Issue No. 07-1 Accounting for Collaborative Arrangements - The objective of this issue is to define collaborative arrangements and to establish reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. A collaborative arrangement is a contractual arrangement that involves a joint operating activity. These arrangements involve two (or more) parties who are both (a) active participants in the activity and (b) exposed to significant risks and rewards dependent on the commercial success of the activity. Participants in a collaborative arrangement shall report costs incurred and revenue generated from transactions with third parties in each entity's respective income statement pursuant to the guidance in Issue 99-19. An entity should not apply the equity method of accounting under Opinion 18 to activities of collaborative arrangements. Information related to individually significant collaborative arrangements should be disclosed separately.

This issue shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. This Issue shall be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. The Company plans to adopt this statement prospectively as of the beginning of the fiscal year in which this Statement is initially applied. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The statement is not expected to have a significant effect on the financial statements of the Company.