

# Online Mortgage Company

Valuable Mortgage

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*Adam Greengrass*

*This plan raised \$2 million for a company desiring to build a state-of-the-art mortgage processing application and Internet site. Its goal is to create the defacto standard for executing the mortgage process.*

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## EXECUTIVE SUMMARY

The communication process involved in closing a mortgage in today's real estate market is a complex, disorganized and often lengthy one. There can be as many as ten different companies participating in the closing of a single transaction. There is no central point for collaboration or communication. Hundreds of documents are mailed, overnighted, couriered, or faxed between the myriad number of companies involved, while everyone prays for everything to be delivered on time, at the right location, to the right person. It's a wonder that anything actually gets accomplished in such an unorganized, unsupervised, and chaotic environment. The average participant spends less than 20% of their time on core business activities, with over 80% of their time wasted on the process itself. The result is a process laced with errors, miscommunication and delays, making an already inefficient process even more unproductive.

Success in this industry will be determined by an organization's ability to effectively manage the communication process between industry affiliates, including the mortgage brokers, real estate agents, escrow companies, lenders, etc. Valuable Mortgage has built a business model that addresses this need in a unique way. Called POEM for Portal, Outsourced, Extranet, Management, this business model will completely reshape the way the mortgage closing process functions.

First, a web-based Portal site will host an application that in itself will serve as a workflow document management system, carefully managing the communication that takes place in the mortgage closing process. Through a combination of Outsourced processing and Extranet technologies, the system will Manage the process itself, accurately, easily, and effectively sharing information between affiliates. This will achieve the goal of shortening the time to close while vastly reducing the time wasted on process communications. The result will be a completely effective, focused, and relatively short process, and a great deal of the affiliates available time freed up to be refocused on core business activities.

All of the affiliates to the mortgage closing process will all utilize the Valuable Mortgage web interface to execute their transactions. The loan processing could either be totally outsourced to Valuable Mortgage, or the workload could be shared between the mortgage processor and Valuable Mortgage. In either case, Valuable Mortgage's web-based application will track the progress of the loan, making certain that the correct parties receive all required information on a timely basis.

## ONLINE MORTGAGE COMPANY

The value created by Valuable Mortgage will be:

- Extensive cost savings for everyone utilizing their system;
- A considerably reduced time-cycle in the overall mortgage process;
- The ability for affiliates to focus more of their time on generating new business and less on the logistical requirements of that business; and
- The ability to drive extensive revenue that is tied directly to the performance increases that the system offers.

There are many companies today that are trying to address some of these issues. The problem is that none of the competition has tried to or intends to try to build a single application for all affiliates to use. Instead, there are applications for mortgage brokers, applications for real-estate agents, applications for lenders, and applications for mortgage processors. What differentiates Valuable Mortgage from its competition is that its application will be designed to work for all the affiliates to the process. The competition has developed individual applications and is vying for enough market share to be able to declare its communications protocols as 'the standard'.

Instead of getting caught up in this mess, Valuable Mortgage is taking a different approach. By designing an application for all the affiliates to use, Valuable Mortgage is addressing the one major issue that none of the competition is—the effective communication between different affiliates and the management of that process. Additionally, by offering the service for free to the mortgage brokers and for a small incremental monthly fee to other associates, Valuable Mortgage is certain to garner a large market share in a very small amount of time.

### Objectives

The company's vision is to build a state-of-the-art mortgage processing application and Internet site that will in itself become the defacto standard for executing the mortgage process. The site will provide all users with real-time access to any customer application in process. This seamless sharing and managing of information provides more profitable management of the loan pipeline, enhanced customer service, and substantial gains in productivity.

The site will be managed by Valuable Mortgage, through the use of their Internet based application and web site. Mortgage brokers, mortgage processors, and other affiliates to the mortgage process will utilize the site as their primary application for executing their business. Additionally, the application will provide prospecting, tracking, customer information, and other communications between all parties to the transaction.

- Eliminated will be the lengthy time it takes for these companies to send paperwork back and forth;
- Eliminated will be the miscommunication that often occurs when many organizations need access to paper based information;
- Eliminated will be the repetitive entering of data; and
- Eliminated will be the ineffective process that leads to escrow closing typically taking 30 to 60 days or longer.

### Mission

The company's mission is to produce a web-enabled environment that is user friendly and offers highly valuable services. These services will:

1. Radically increase the mortgage brokers productivity;
2. Drastically decrease the time spent on producing results;
3. Create partnerships and strategic alliances between companies that offer complementary services; and
4. Create a 'community' environment based on open standards and information sharing.

The tool that will drive the company's mission is the Internet Portal site. This fully interactive website will offer each company that utilizes it all the tools necessary to effectively accomplish their core business goals.

The mortgage industry requires tremendous communication to take place between many companies and individuals involved in the mortgage process. The communication can get so chaotic at times, that people have to be hired just to manage the amount of faxing, telephoning, and paper organization that's required. Valuable Mortgage's focus is to take on the processing of the transaction, allowing Valuable Mortgage to:

- Manage the loans in process;
- Handle the mailing of marketing letters; and
- Streamline the communications required in the transaction closing process.

The result will be an effective process for all affiliates where they can spend the bulk of their time on business development instead of business processing.

One unique aspect of the business will be some of the value added services that Valuable Mortgage will offer. For example, a Loan Research and Call Center will allow affiliates to have Valuable Mortgage experts research specific questions or issues in reference to a particular transaction. A Credit Reporting Management service will allow potential home-buyers that don't qualify for specific loans to work on rebuilding their credit so that they will qualify. The value that Valuable Mortgage can bring to its affiliates from these services can be tremendous—imagine if Valuable Mortgage can take a customer from a mortgage broker, help that customer to rebuild their credit and qualify for a loan, and then feed that customer back to the original mortgage broker. This one additional sale would more than adequately cover an entire year of membership fees for that broker.

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## **GROWTH STRATEGY**

With margins shrinking, everyone in the real estate mortgage business is concerned with streamlining and cutting overhead. Valuable Mortgage allows mortgage brokers and other affiliates to escape the confines of their office, where previously they had to be because of the amount of faxing, telephoning, etc., that was part of the transaction closing process. The more mobile an affiliate can be, the more productive that affiliate will be. With Valuable Mortgage, all the affiliate needs is a telephone and an occasional computer connection.

The primary goal of the company's marketing efforts will be to induce affiliates to use the web-based application. The company will use a variety of direct marketing campaigns targeted at mortgage brokers and other affiliates. The higher quality/quantity of tools and/or services that are incorporated into the site the greater the value that Valuable Mortgage brings to its customers. Providing a central location where all of these companies and/or users collaborate will naturally promote a community interest and further desire to use the system.

Front-end revenue streams will include membership dues charged to the affiliates who utilize the Valuable Mortgage portal site. There will be several membership types each with its own pricing and services structure. Additional front-end revenue streams will be generated from transaction fees, processing fees, credit-counseling fees and escrow closing fees, which will be charged to certain affiliates that utilize the system.

Back end revenue streams will include strategic partnerships with other web-based companies that can bring incremental value to the users of the Valuable Mortgage portal. Growth is expected to be exponential once a critical mass of affiliates is signed up and is using the system. The company plans

to be the first organization in the real estate mortgage industry to establish this critical mass of users by providing the back-end integration for collaborating and sharing of information critical to the closing of the transaction.

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## BUSINESS STRATEGY

Valuable Mortgage's sales strategy consists of four focused sales efforts. The first is to create an Internet portal site, which will be the environment that all Valuable Mortgage affiliates utilize. For this sales effort, Valuable Mortgage will promote the portal as the "meeting place" for all affiliates in the mortgage processing industry. The second is to be an outsourced processing center. Valuable Mortgage will provide different levels of outsourced processing capability, which supports the company's focus of helping affiliates to address the mortgage process more effectively. The third is to provide extranet connectivity, tying in the affiliates' computer systems into the Valuable Mortgage system, thereby facilitating the management of the communications process. The fourth is to provide management of the document workflow process, thereby assuring the Valuable Mortgage's focus on making the process more effective. In total, this sales strategy is called POEM, for Portal, Outsourced, Extranet, and Management.

### Products & Services

Primarily the company will offer three levels of membership, each providing an incremental benefit over the other. These membership levels will be called Silver, Gold, and Platinum.

1. Silver Level Membership will offer basic access to Valuable Mortgage's website and basic tools, including automated online forms that are designed to eliminate errors and double entry of data. At the Silver level, individuals and organizations would utilize the Valuable Mortgage system on their own, running it as if it were installed on their local desktop computers. At this level, Valuable Mortgage staff will assist with some entry of data and cross checking of information, and will offer some guidance in the actual processing itself.
2. Gold Level Membership includes everything that Gold Level Membership does, plus total data checking and process management from Valuable Mortgage. For these members, Valuable Mortgage will closely monitor the process itself making certain that all key respondents take action within specified time limits. Should this communication not occur, Valuable Mortgage would contact the respondent, assess the situation, and facilitate the process itself. In this way, the successful outcome can be guaranteed.
3. Platinum level membership will offer full outsourced processing. All the mortgage broker would have to do is to prequalify the client and at most take an occasional loan application. The company would do the rest, from processing the application to stepping it through all necessary tasks to completion. At each step Valuable Mortgage would proactively provide detailed information to the mortgage broker and all other participating partners so that they are fully aware of the process that is occurring, however Valuable Mortgage would assume all responsibility for actual execution.

### Revenue Streams

The following is a list of front-end and back-end revenue streams that Valuable Mortgage intends to pursue. For detail on these revenue streams, please see the Sales Plan later in this document.

- Monthly Membership Dues
- Affiliate Transaction Fees
- Private Label Lending

- Data Mining/Knowledge Management
- Lead Generation Program
- Classroom/Computer Based Training
- Communications Fees
- Licensing Programs
- Insurance
- Printing
- Mortgage Broker/Realtor Recruiting
- ISP Partnerships
- Computer and Accessory Sales
- Product/Services Sales
- Click-Through Incremental Revenue
- Sponsorships/Co-Branding
- Membership Program Benefits

### **Market Analysis**

The company intends to utilize focus groups, marketing handouts and intensive market research into the successes and failures of our competition, to prove its market viability prior to implementation. A series of pilot programs will be implemented so that actual mortgage brokers, real estate agents, investors, and escrow companies can utilize Valuable Mortgage services and provide critical feedback into the development process. The anticipated result will be a system that works effectively for all parties concerned. Additionally, Valuable Mortgage is already developing unique technologies that will allow the company to successfully tie their technology into the host of systems in use by the various industries the company will support.

### **Competition**

There is a lot of competition in the market niche that Valuable Mortgage intends to focus. Existing software companies with mortgage processing applications make up the largest number of direct competitors to Valuable Mortgage, and a small number of technology companies make up the rest.

The primary difference between what these companies intend to offer and what Valuable Mortgage intends to offer is in the capabilities of the software solutions. Most of these companies already have software applications, which feature specific types of solutions for specific industries. One of the larger companies, Wilshire Corporation, has a two-tier package called ElectroniK and Softex. These applications are designed for the mortgage processor, and primarily function as the tool that these organizations would use to execute their business, tracking all the necessary steps in the mortgage loan process. Wilshire intends to take this package onto the web, allowing other organizations to utilize it without having to install it locally, which is similar to what Valuable Mortgage intends to do.

The primary difference between Valuable Mortgage and its competition is that Valuable Mortgage is intending to build an online 'community' with the specific intent of building that community into an application for the mortgage processing industry. The company's competitors, like Wilshire Corporation, are attempting to do the opposite, taking an application and attempting to build that application into a community.

The company's approach is far superior to its competitor's approach. The reason is because it is next to impossible to take an existing application and web-enable it enough that it becomes a standard unto

itself. The better approach is to foster an environment which best suits the needs of a particular niche, and then build an application which meets those needs. This is why Valuable Mortgage will be successful and its competition will not.

### **Business Strategy**

The company's business model focuses on a unique strategy called Task-Trigger-Task. There are two primary components to the company's approach, the technical infrastructure that the company will utilize and the methodology, which is the core to the environment that will be created. Both of these components utilize the Task-Trigger-Task business model.

The technical infrastructure consists primarily of the web-based environment. In this environment, customers will utilize a system that is made up of tasks, which occur in the mortgage loan process. These tasks often occur concurrently, and in many cases specific tasks must be completed before other tasks can start. The relationship of these predecessors and successors is defined by the Task-Trigger-Task business model. The technology that Valuable Mortgage intends to develop will automatically monitor this process, and manage to a successful conclusion the pre-defined relationships of which tasks trigger which tasks.

As a methodology, the Task-Trigger-Task business model will drive the customer-oriented approach for the company. The technology will identify which tasks have or have not been concluded. The operational management team will closely monitor the results and will escalate any tasks or triggers that are not concluded within a preset timeframe. This is the key differentiation between Valuable Mortgage and its competitors. No other company has built a business model that so effectively ties the operations of the company to its infrastructure.

### **Growth Strategy**

The company's initial efforts will focus on the US market. In the future, and once specific financial goals are met, Valuable Mortgage intends to evaluate its capabilities in other Internet-intensive countries. Additionally, Valuable Mortgage intends to begin multi-media advertising and public relations campaign designed to significantly increase Valuable Mortgage's market presence and awareness of Valuable Mortgage services and technologies.

The business model and operations of the company are being designed to be replicable to other industries. In the future, the company intends to evaluate other industries where the implementation of an effective and manageable communications methodology and environment could bring extensive real value. In so doing, the company expects to expand its business focus to these other industries, thereby opening potentially huge new revenue streams. Some of these industries might include any industry that used a broker to facilitate the sale, including the insurance and stock brokerage industries.

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## **OPERATIONS**

An in-house staff of individuals with extensive experience in all related industries will comprise the operational team. These individuals will have, at a minimum, the following expertise:

- Extensive knowledge of the Mortgage Brokerage industry, including expertise in all affiliated industries;
- Total competence in the loan closing process;
- Extensive training in customer satisfaction methodologies, project management, and extensive experience working one-on-one in a customer oriented environment;
- Debt negotiation, credit counseling and repair expertise; and
- A solid grasp of technology, including how to effectively use the Internet and more specifically how to use the Valuable Mortgage web site to accomplish business goals.

**Management Summary**

The company’s management team consists of three highly skilled individuals. Individually these people have extensive expertise in all the various aspects of Valuable Mortgage’s business, and as a team they represent a level of business acumen and personal integrity that is rarely seen in the industry today.

The three management team members include:

- President and CEO—Matt O’Neal: From 1989 to present, Mr. O’Neal has worked in the financial services industry, with a primary focus in the mortgage industry from. Mr. O’Neal has had extensive responsibilities, including the acquisition of investors for second trust deeds, management of the investment strategy, and management of the A paper investors. Technically, Mr. O’Neal has a background in systems integration and telecommunications, and has designed and implemented many large customer and process oriented implementations both in and out of the mortgage industry.
- Vice President, Business Development—Matt Jones: Mr. Jones is the founder and President of Jones & Wiaduck Financial Inc., a financial services consulting and trading firm. Mr. Jones has over 10 years experience in the financial services industry and holds a series 7 license. From 1984 to 1989, Mr. Jones was Vice President in charge of business development for CashCow Solutions, a company that provides back-office processing and software development for broker/dealers. In 1989-91, Mr. Jones was an account executive with Dean Witter Reynolds. Mr. Jones holds a Bachelor of Science degree in Business Management.
- Vice President Finance & Marketing—Jim Williams: Following the achievement of a B.A. from University of Dallas, Mr. Williams joined a mortgage brokerage firm where for three and a half years he maintained top producer status, generating over \$30 million in home loans. Mr. Williams went on to successfully start his own mortgage company with the focus on streamlining the home buying and loan origination process. Mr. Williams has in-depth knowledge of the mortgage industry and what is required to successfully manage the mortgage process. Mr. Williams co-founded Valuable Mortgage and has been instrumental in its marketing, creative, direction, fundraising, and growth.

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**FINANCIAL ANALYSIS**

The following is an excerpt of the Statement of Profit and Loss, included in the financial section in this business plan.

**Statement of profit loss**

(Dollars in thousands)

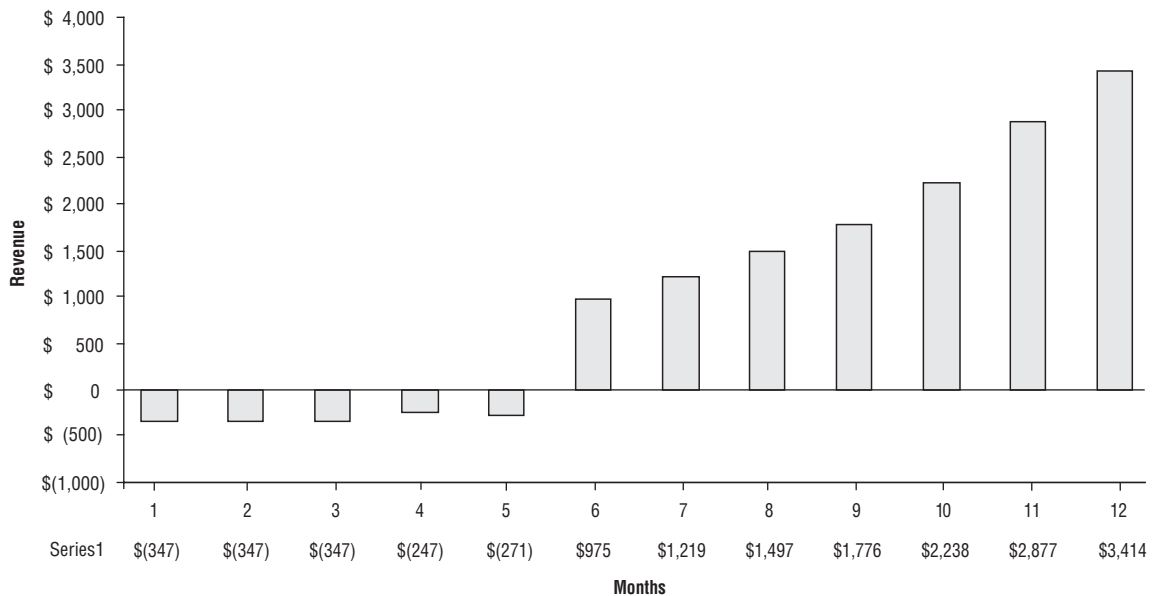
	Year 1	Year 2	Year 3
Revenue	\$ 17,756	\$ 20,419	\$ 24,503
Costs and expenses	(6,750)	(5,640)	(6,761)
Subtotal (gross margin)	11,006	14,779	17,742
Taxes	(4,182)	(5,616)	(6,742)
Net income	\$ 6,824	\$ 9,163	\$ 11,000
Percentage of sales	38%	45%	45%

**Financial Requirement & Use**

The financial requirement to implement this business plan is \$1,651,000. This will cover operating expenses for the first five months of operation. The company intends to be positive on a cash flow basis by the sixth month of operation.

**Statement of first year cash flow analysis**

(in thousands)



This chart projects cash flow (in thousands). See the Financials section for the detail behind this chart and Appendix A for the Operations Implementation Plan.

**PRODUCTS & SERVICES**

The practices today in the mortgage industry are time consuming, complex and disorganized. Valuable Mortgage intends to revolutionize these practices through the implementation of a centralized web-based portal site designed to bring maximum capability, productivity, and cost savings to the individual mortgage broker and mortgage industry affiliate. By effectively managing the communication process between affiliates Valuable Mortgage will allow these companies to refocus on business development, saving them extensive time and money now spent on the management of the process itself. The company’s unique business model called POEM, combines facets of a web Portal with process Outsourcing, Extranet technologies, and extensive workflow Management. The result that this business model will bring to the industry will be a completely effective, focused, and relatively short mortgage process.

Competition in this industry is fierce with many companies trying to develop the next ‘standard’ for mortgage processing. What differentiates Valuable Mortgage’s approach from the rest is their focus on the creation of a complete mortgage processing ‘community’. Instead of developing separate applications for each affiliated industry, Valuable Mortgage will develop an environment that brings a total solution to all the various affiliates of the industry. This environment will be designed to maximize communication between affiliates, and thereby leverage the affiliates need for effective communications to build the environment in which they work. This approach is unique—there is no other company that is focusing on bringing more value to the process itself. This approach is so radically different that what the competition is offering that it is destined to attract the largest percentage of affiliated customers.

Not only has Valuable Mortgage developed a unique approach, but Valuable Mortgage has focused that approach on the development of the Portal community environment. Combined with POEM, Valuable



Mortgage will design the Portal around its task–trigger–task business model. This business model assures that each task in the mortgage closing process is closely tracked and managed, so that each affiliate in the process is delivered the information needed at just the right time.

Finally, by creating multiple front–end and back–end revenue streams, Valuable Mortgage’s community environment will bring the most possible value to its customers while assuring multiple income streams for the company as well.

### **Confidentiality and Risk Statements**

The information, data and drawings embodied in this business plan are strictly confidential and are supplied on the understanding that they will be held confidentially and not disclosed to third parties without the prior written consent of Valuable Mortgage.

This business plan represents management’s best current estimate of the future potential of the business. It must be recognized that no business is free of major risks and few business plans are free of errors of omission or commission.

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## **SALES & MARKETING**

The rapid growth of the Internet, from the beginning of its popularization in the early 1990’s, is one of the most widely–studied and discussed technical and business phenomena in history, rivaled only by the growth of personal computing—with which it is inextricably linked. There are believed to be 80 million Americans who currently use the Internet, with involvement ranging from occasional e–mail message exchanges to daily multi–hour surfing and exploratory sessions.

One of the latest trends driving the phenomenal growth of the Internet is business to business services. Forrester Research (a leading market research firm) predicts that business–to–business sales over the Internet will have grown from \$43 billion in 1998 to a staggering \$1.3 trillion by 2003. These services utilize a technology called ‘extranet’, where businesses utilize the Internet for the specific purpose of being effective in inter–business communications. Extranet technologies allow organizations to connect their internal systems with other organizations. The result is a vastly increased level of communications, driven by the ability for these two organizations to share data securely and subsequently communicate faster and more effectively.

This is where Valuable Mortgage comes in. By providing a radically simplified environment based on this extranet technology that will tie together all of the affiliated businesses involved in the loan closing process, Valuable Mortgage will fulfill its goal of bringing about a new and much more effective overall process.

Stefan Swanepoel, a well–known author and real estate industry strategist, recently published an extensive and thought provoking report that identifies key trends expected to significantly determine the ground rules for the use of the Internet in the real estate mortgage industry. According to Swanepoel, even though mortgage processing professionals have traditionally been the gatekeepers of information, the Internet is now demanding that they evolve into the interpreters of information.

“Should [Valuable Brokers and their affiliates] wish to succeed in the Internet era, they will have to focus on creating a consumer–centric model by instead becoming gatekeepers of the transaction,” remarked Swanepoel. “To survive in the future, [Valuable Brokers] must act as coordinators, counselors and facilitators in streamlining the total home–buying experience.”

There is no question that the Internet has already significantly changed the way we live and work, what we read, even how we communicate. According to a Fast Company–Roper Starch worldwide survey, 94 percent of respondents believe that the Internet makes communication easier, while 96 percent report that the Internet increases their accessibility to information.

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Based on the recent number of technology and Internet-related exhibitors at the National Association of Realtors convention, an event attracting more than 23,000 Realtors and Mortgage Brokers, it is evident that the Internet is rapidly taking a stronghold on the industry. To date, however, many will agree that of the estimated 10 million real estate and mortgage related websites, very few really offer true value or the ability to conduct transactions online as easily as do Amazon.com or eBay. "The integration of the mortgage processing transaction and the creation of a . . . shopping experience is still a year or two away, though companies like HomeStore.com, E-Loan, iProperty.com and HomeGain.com show a lot of promise," said Swanepoel. "The main reason for the delay of full integration is that the home-buying process is considerably more complex, less frequently conducted, very heavily regulated and saturated with way too many participants."

Yet while the process for integration of these markets has lagged, the fact is that web banking and online mortgage capability are becoming more intertwined every day.

First, online lending king Mortgage Online, Inc. established a relationship with ebankz, the perceived leader in the virtual bank space, letting ebankz customers shop for home mortgages through a co-branded ebankz/Mortgage Online, Inc. site. ElectroMortgage, another leading online mortgage player, is also partnering with banks using a combination of web-based and real world offices.

According to Deutsche Bank, online mortgage originations will grow by more than 5,000 percent by 2003 to about \$250 billion annually. And about 80 percent of Internet users rate their online banking experience higher than the traditional brick-and-mortar experience, according to a recent survey by Washington-based Frederick Schneiders Research Inc.

Valuable Mortgage intends to capitalize on this growing trend to take advantage of the Internet for mortgage processing. However, Valuable Mortgage intends to do so in several unique ways. First, Valuable Mortgage will primarily be a business-to-business focused entity, providing services to the mortgage brokers and to the affiliates of the mortgage processing industry. Through a technologically advanced portal site, Valuable Mortgage will effectively manage the loan closing process such that Valuable Mortgage customers will be able to focus on their core business development activities.

Today, the existing Internet based mortgage processing applications are basically little more than data storage locations that still have to be manually managed by the vast number of participants to the mortgage closing process. Valuable Mortgage's primary goal is to build a mortgage processing application around a new methodology that will allow the technology itself to manage the process. In so doing, the Valuable Mortgage system will coordinate the communications, signoff, and acceptance by the affiliates to the process, freeing up the affiliates' time so that more time can be spent doing business development and less wasted on the logistical requirements of managing the actual process itself.

### Market Analysis

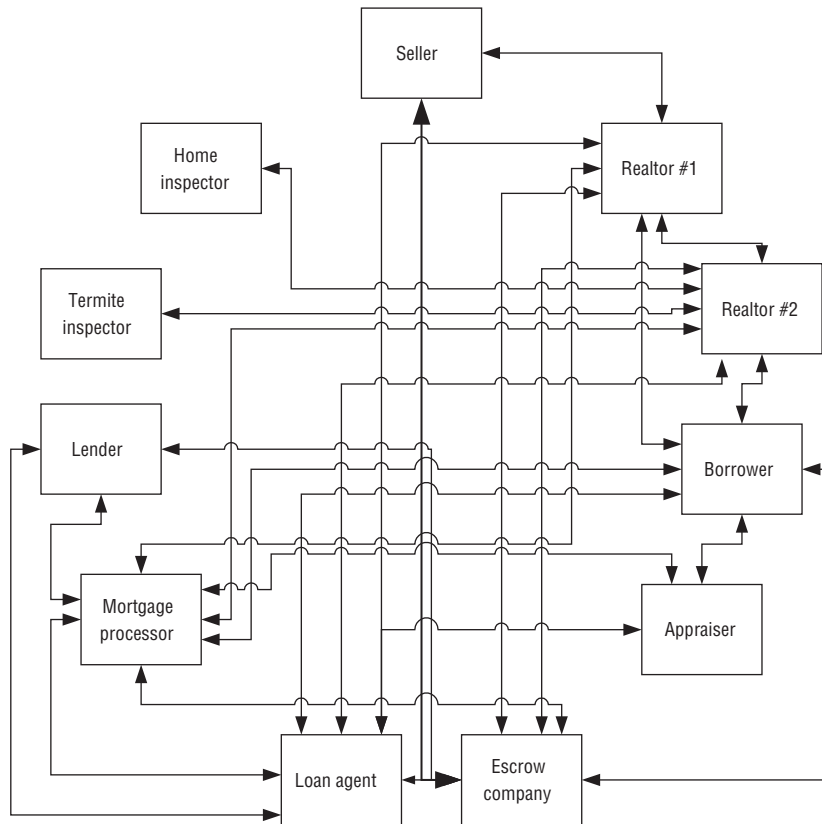
The mortgage processing industry today can be very complex. In any given transaction there can be as many as ten parties, most of whom are unfamiliar with one another and each other's internal processes. At the same time, each party has a specific function that must be executed within a reasonable amount of time and fully communicated to the other parties. The result of this mis-managed process often includes:

- A process sought with chaos, redundancy and disorganization. This often results in wasted time and money, frustrated borrowers, missed lock deadlines, and lost loans, all due to the lack of managed communication between parties;
- A high degree of redundant information. Each company has their own internal computer systems and processes and usually has to enter the information manually into their own system. The results include data management errors, and a great amount of wasted time.

- A tremendous amount of mis-communication as there is no centralized standard for messaging. Some companies utilize email, however most fax documents back and forth with handwritten notes attached. Much of this communication gets lost, either in transit or in translation.

The following diagram details the communication process as it exists today for the typical mortgage escrow closing.

**Typical communication process**



**OBJECTIVES**

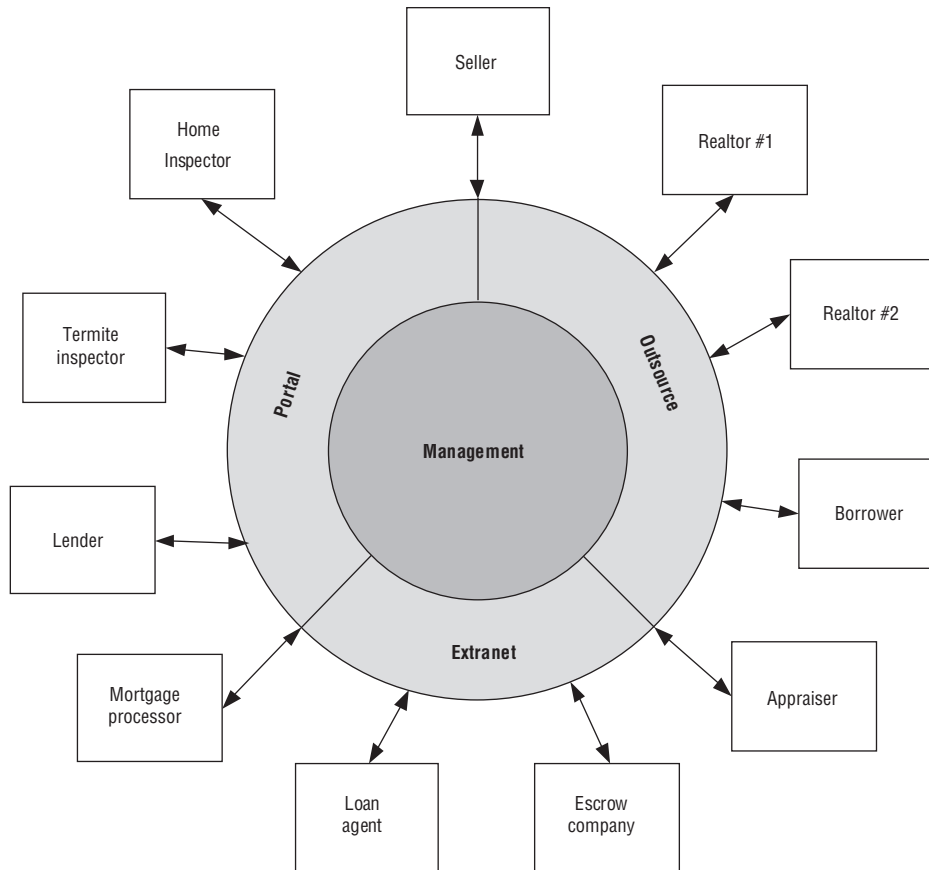
Valuable Mortgage’s intent is to radically simplify the complex communications process that is involved in the typical mortgage closing. Valuable Mortgage will provide an online, unified work environment for every affiliate to the process. In this new environment the participants will experience the following:

- Information will be entered only once and will be accessible at any point, from any location, only requiring that the user have an active Internet connection;
- The seamless transfer of information in a paperless environment;
- Sharing of information with all parties, free from redundancy errors of omission, or wasted time. Also, each party will receive proactive loan status updates from a single point of access to all messages.

## ONLINE MORTGAGE COMPANY

The following diagram details the Valuable Mortgage concept of the communications process.

### Proposed communication process

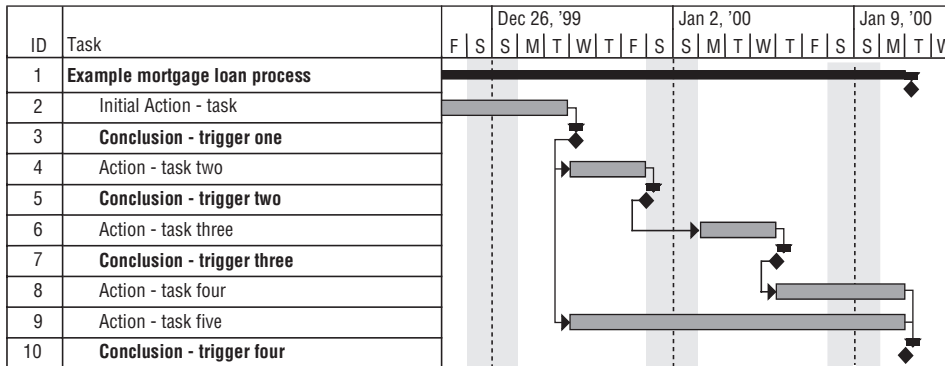


The focus of this environment will be on Valuable Mortgage's ability to manage the process and the pipeline from beginning to end. In time, the affiliates will get this understanding and will then allow Valuable Mortgage to execute the loan processing for them, freeing them up to focus on getting more business. The Valuable Mortgage environment facilitates its users to be able to do more business.

### Business Strategy

The company's business model is to create the most efficient vertically integrated, yet open, work flow tracking model for mortgage processing that ties in everything from loan acquisition to servicing. The methodology is called Task—Trigger—Task, and describes not only the functionality of the Valuable Mortgage technical environment, but also the customer-focused methodologies under which the company will operate.

The mortgage process itself is comprised of many tasks, each one having a predecessor and a successor. In every case, each predecessor triggers another task, starting with the first action, and ending with a closed loan. Many of these tasks occur simultaneously, and the end result of the process is based on this Task—Trigger—Task relationship. If we were to examine this in a classic project management capacity, the resulting Gantt chart would look something like this:



In this Gantt chart, we start with an action, which is also Task One. The conclusion of the first task is a trigger, which in the case of this Gantt chart, sets off two separate tasks, following two concurrent paths. The first path leads to three tasks in a task—trigger—task relationship, while the second path leads to a single concurrent task. Both paths end at the same trigger.

This is how the Valuable Mortgage website environment will function. Every action that an affiliate takes while utilizing the system will lead to a trigger that sets off one or more additional tasks. The system itself will be designed to monitor the triggers, to make certain the appropriate tasks are started at the appropriate time. At each point in the process, whether it is a Task start or a Trigger, the system will automatically deliver all necessary information to all concerned parties. The beauty of this design, which is unlike anything in the industry today, is in the effectiveness with which it will run this process and the quality of information that will be available at any given point in the process to everyone in the process.

In addition to the technology itself, Valuable Mortgage will offer the system as an Application Service Provider. The staff will be trained in this methodology to effectively identify and communicate when a trigger is reached and who should be receiving what information. Their ability to provide “help desk” functionality and actually monitor the process itself, driving escalation where necessary to assure its success, will truly differentiate Valuable Mortgage from its competitors. In practice, the Task—Trigger—Task business model will be implemented by Valuable Mortgage in three distinct revenue generating business focuses. These include:

1. As an Outsourced Mortgage Processing Center—In this capacity, Valuable Mortgage will perform all the loan processing functions involved with the setup and closing of a loan. By delegating this responsibility to Valuable Mortgage, mortgage brokers/processors will be able to better focus on their core business activities. This brings tremendous value to the mortgage broker/processor while also bringing extensive value to the customers of the mortgage broker/processor; the company can now maintain a more customer centric approach without having to worry about the logistics of the process itself.
2. As an Information Portal Site—In this capacity, Valuable Mortgage will be a content aggregator for all information, tools, and services that any affiliate would require. By providing these tools to affiliates, Valuable Mortgage enables them to execute their own business models more effectively.
3. As a Strategic Partnership Driven Organization—In this capacity, Valuable Mortgage will drive incremental value and revenue for its vast list of strategic partners. Additionally, Valuable Mortgage will become an information vendor, bringing leads, customers and incremental revenue to these partners.

## ONLINE MORTGAGE COMPANY

The bottom line—Valuable Mortgage can process loans more efficiently and at less cost than the mortgage brokers/processors can do themselves.

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## COMPETITION

There is a great deal of competition in the mortgage loan industry. Companies have long recognized the benefits of automating the loan application process and the idea of shortening the escrow process through effective productivity tools is not a new one.

The primary difference between the competition's approach and Valuable Mortgage's approach is that Valuable Mortgage will be the first company to develop a complete solution which addresses the needs of every affiliate in the mortgage processing industry. The competition targets specific affiliate industries with individual application tools and the result is a decent application for that affiliate industry, but a continuing total lack of communications effectiveness between affiliate industries. By building one application that addresses all affiliate industries, Valuable Mortgage's focus will stay on the communication process itself, which is the key to success in this industry.

Competitors in this market include large banking organizations, brokerage houses, and a host of small Internet startups, each offering their own idea of what efficiency gains can be accomplished and each trying to be first to bring their products and services to market.

Some of the leaders in this market include:

- Alltel
- Byte Enterprises
- Calyx Point
- Contour Software
- Cybertek
- Delphi
- Desert Services
- Dynatek
- Fiserv
- Gallagher
- Genesis 2000
- IDSCOD
- Interling Software
- MortgageWare
- LoanEnergizer
- Loansoft
- MortgageFlex
- MortgagePro
- JMT Mortgage
- Pipeline Solutions

- PowerPak
- Reyncorp
- Tuttle Systems
- Valley Title

Just four of these companies currently dominate 85% of the independent mortgage broker market, Calyx Point with 41%, Genesis 2000 with 17%, Contour Software with 15%, and Byte Enterprises with 12%. While each of these companies have products that offer similar and yet unique approaches to defining the level of productivity that can be achieved, none of them offer the breadth or depth of services that Valuable Mortgage intends to offer and none of them are focused on the effectiveness of inter-affiliate communications.

The primary differentiating factor between the competition and Valuable Mortgage is in the degree of overall capability that the online environment brings to its users. These companies each started with a single module offering specific services to specific affiliated industries. For instance, Calyx Point is designed primarily for the mortgage brokers to function as a front-end form entry tool. While very effective at that capability, it is not centrally run and does not offer extensive value to other related industries, such as the realtors or appraisers. Additionally, an affiliate-focused application will never be able to standardize the inter-affiliate communications process, which is the vital component in the reduction of complexity in this industry.

On the other hand, Valuable Mortgage intends to build an environment that takes advantage of the best features of all the leading software and intends to do it in an Internet based environment that gives equal access to all organizations. The key benefit and focus is not to provide a single organization with every required tool, but instead to offer all organizations a greatly enhanced and closely monitored communication process. The result will be higher productivity through implementation of a methodical approach, which will bring extensive value to all affiliates utilizing the system.

In the end, regardless of the information and choices the Internet brings, the key is and always will be to close loans quickly and cheaply with good customer service. This is Valuable Mortgage's focus.

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## CONCLUSION

The Internet is not a fad, but rather a keystone of the new economy. Companies that have established themselves as the market leaders of this new economy are the ones that have blazed the way, bringing new types of content and incremental value to their customers.

In the mortgage processing industry, the companies that have gone online on the Internet have done so by building an application and offering it to online users. In doing so, these companies have not addressed the most important aspect of the mortgage processing industry—the capability and efficiency of the process itself. These companies think that their application in itself will refine the way business is done in the industry, however they are sadly mistaken. Only a company that focuses on refining the process will accomplish that task. Only Valuable Mortgage is focused in this way and only Valuable Mortgage will accomplish this goal.

Over the long term it will be companies like Valuable Mortgage that continue to lead the way and redefine how businesses communicate with each other, and define value for their customers. Changing business processes is a complicated and difficult task. It takes a forward thinking company that is truly interested in creating value to accomplish this goal, and Valuable Mortgage is destined to fulfill this promise.

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## GROWTH STRATEGY

### Selling Strategies

The sales strategy that Valuable Mortgage intends to undertake is a multi-faceted approach utilizing front-end and back-end revenue streams. Front-end revenue streams are those that are paid directly by the affiliates using the system. Back-end revenue streams are those where incremental 'value-added' services are utilized by the affiliates and where Valuable Mortgage makes some kind of commission or referral fee for their use. Additional back-end revenue streams include services that are utilized transparently by the affiliates, such as advertising and click through revenues. Each revenue stream will have its own associated advertising and marketing components.

- **Membership Dues**—Each affiliate will be charged a monthly membership fee to utilize the Valuable Mortgage system. Incrementally, membership dues only drive a small fraction of overall revenue. Subsequently, Valuable Mortgage's sales strategy will be to waive the membership dues wherever possible, so that the affiliate is made to believe they are receiving some kind of special deal. Examples of how and when the membership dues would be waived include: Any mortgage broker using Valuable Mortgage for processing three or more loans per month; any mortgage broker that refers another broker to sign up for the service; any affiliates that sign up during the first six months of operations. This will be the 'free registration period'. Users who sign up during this period of time will have their fees waived permanently; anyone who 'clicks through' to the Valuable Mortgage site from one of Valuable Mortgage's partner sites; and as an incentive for signing up for additional revenue driven services that Valuable Mortgage will offer, including (but not limited to) computer based training, full processing, partner licensing, etc.
- **Affiliate Transaction Fees**—Every time one of Valuable Mortgage's affiliates processes a mortgage through Valuable Mortgage, a transaction fee will be charged against the closing of that mortgage.
- **Private Label Lending**—A percentage of Valuable Mortgage customers will find their loans through Valuable Mortgage itself, instead of affiliate mortgage brokers. This percentage is projected to start at 1% per month and scale an additional percent per month to a total of 12% of loans in the 12th month.
- **Data Mining and Knowledge Management**—The company will create a data warehouse that tracks the progress of each transaction, amassing a large database of customer information, purchasing patterns, credit qualifications, etc. For a fee, this information will be made available to Valuable Mortgage affiliates.
- **Lead Generation Program**—One of the most valuable services that Valuable Mortgage will offer is a lead generation program for affiliates. Currently there is no other system that can manage the process from initial lead generation to packaging and selling of the loan and then back to data mining and prospecting. The company intends to build a data warehouse and to perform lead prospecting and distribution for our members. A small fee will be charged to the affiliate for the use of these services.
- **Classroom and Computer Based Training (CBT) programs**—The company will offer classroom and computer based training programs to help affiliates get the most out of the system. Additionally, a Valuable Mortgage partner will host other CBT programs in a variety of third party applications and industries. Each time an affiliate signs up for one of these courses, an incremental referral fee will be paid to Valuable Mortgage.
- **Communications Fees**—The company will leverage its free messaging services by offering a premium service which includes unified messaging (voice mail, email, fax), as well as long distance and premium message delivery services.



- **Licensing Programs**—Another strategic partnership for Valuable Mortgage will be with leading companies that can coordinate the licensing for individuals in the various industries for which Valuable Mortgage offers services. The company will receive a commission for each individual that signs up for one of these licensing programs.
- **Insurance**—The company will leverage their relationship with insurance companies and program administrators to offer private label and third party title insurance, E&O insurance, auto insurance, and general commercial liability insurance. A referral fee will be paid to Valuable Mortgage every time an affiliate utilizes these services.
- **Printing**—The company will have strategic partnerships with online printers to make the process of producing real estate flyers and mailing pieces merged with a database easier and less expensive. A referral fee will be paid to Valuable Mortgage every time an affiliate utilizes these services.
- **Mortgage Broker/Realtor Recruiting**—The company will create strategic relationships with the leading mortgage brokers and real estate firms in the industry. Links on the Valuable Mortgage site will entice individuals to sign up with these mortgage broker houses and/or realtors, and Valuable Mortgage will earn a commission for each user that registers.
- **Partnerships with Internet Service Providers (ISPs)**—Future partnerships with leading ISPs will generate incremental revenue for each Valuable Mortgage user who signs up for access with the ISP. Incremental revenues are expected to be \$30 - \$50 per user.
- **Computer and Accessory Sales**—The company will negotiate with particular hardware vendors to provide access to the Valuable Mortgage site with the sale of this equipment.
- **Products and Services Sold to the Valuable Mortgage User Community**—The company will feature specific products and/or services that are relevant to the interests of the Valuable Mortgage user community. These products will generate additional income for Valuable Mortgage while providing niche-targeted incremental value to the Valuable Mortgage users.
- **Click-Through Incremental Revenue**—The company will allow content focused banner advertising that brings incremental value to the Valuable Mortgage communities. The company will be remunerated for each “click-through” that a user follows from the Valuable Mortgage site.
- **Sponsorships/Co-Branding**—The company will sponsor specific opportunities, products, or services that bring incremental value to the Valuable Mortgage users. Additionally, Valuable Mortgage will co-brand other incremental products and/or services. These sponsorships and co-branded opportunities will generate additional income for Valuable Mortgage from the program’s setup with these Valuable Mortgage partners.
- **Membership Program Benefits**—The company will sponsor a membership program allowing the Valuable Mortgage user community to earn ‘reward points’ for various activities and/or online purchases. Through the Valuable Mortgage channel program a portion of these reward benefits will be paid to Valuable Mortgage itself from participating merchants and vendors.
- **Affiliate Transaction Fees**—There will be no sales strategy for transaction fees. Everyone who utilizes the system will be charged a transaction fee, the price of which will be dependent on the level of their required processing automation. The more processing that is delegated to Valuable Mortgage, the higher the transaction fee will be.

### **Sales Model**

The primary focus of the company’s sales model is a four pronged approach to the sale of company services called POEM:

1. **Portal**—As a Portal Site, Valuable Mortgage will become the primary ‘meeting place’ for all individuals and organizations in the mortgage processing industry.

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2. Outsourced Processing—Valuable Mortgage intends to provide various levels of outsourced processing capability. This capability will drive the company's focus, which is to reduce the overhead of affiliates allowing them to focus more on their core business activities.
3. Extranet Connectivity—Through extranet connectivity, the company intends to electronically connect their systems to the vast majority of affiliates' systems, thereby facilitating the effective transfer of information between affiliates.
4. Management of Document Workflow—The highlight of POEM is Valuable Mortgage's abilities in the process management space. The company will focus its efforts on the effective management of this process so that the end result will not be left to chance, but instead will be closely managed to a successful conclusion. This really defines the focus of the company. Rather than just provide tools to the affiliates and hope that they utilize them effectively, Valuable Mortgage intends to proactively manage the process of how those tools are utilized, thereby guaranteeing a successful outcome.

### Valuable Mortgage Membership Levels

The company will offer three levels of membership, each providing an incremental value over the other. These membership levels will be called Silver, Gold, and Platinum.

Silver Membership—The Silver Membership level is Valuable Mortgage's basic membership; however it includes enough functionality that members at this level have almost total access to Valuable Mortgage services. The Silver Membership includes:

- Online forms
- Website access
- Discounted items
- Basic messaging
- Alert service
- Industry newsletter
- Interactive on line help
- Comparative rate sheets
- Industry news
- Free eCommerce store
- Industry dictionary
- RESPA guidelines
- HUD guidelines
- Mortgage calculator
- Online customer service
- Chat service
- Discounted Credit
- Address book
- Calendar
- 5 MB file storage
- Bookmarks

- Rolodex
- Directions (maps)
- Email disclosures

Gold Membership—The Gold Membership level includes everything in the Silver level, plus:

- Unified messaging
- Premium website access
- On line training
- Customized printing/open house flyers and templates
- Access to an email response system
- 10 MB file storage
- Credit summaries and optional services
- Deeper discounts on eCommerce

Platinum Membership—The Platinum Membership level builds on the Gold membership by offering these additional services:

- A lead referral program
- Extensive online training
- 25 MB file storage
- Full service credit repair
- Customized dispute letters
- A pipeline mngmt system
- Substantial discount on eCommerce
- A fully integrated Customer Relationship Management System

In addition to the above Platinum level benefits, Platinum level membership will also offer Full Outsourced Processing. At this level of membership, all the mortgage broker would have to do is to prequalify the client and record an occasional loan application. Valuable Mortgage would do the rest, from processing the application to stepping it through all necessary tasks to completion. At each step, Valuable Mortgage would provide detailed information to the mortgage broker so that they are fully aware of the process that is occurring, however Valuable Mortgage would assume all responsibility for actual execution.

### **Strategic Alliances**

The company relies heavily on strategic alliances with existing companies, both in the Internet industry as well as other companies that have products or services that bring incremental value to the Valuable Mortgage community. Some of these alliances may include:

- ink software, inc.
- Johnson Software
- Planning Resources Corp.

The purpose of these partnerships will be to bring as much incremental value to Valuable Mortgage users as possible. Additional partnerships and alliances will be developed on an ongoing basis.

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### Advertising

Valuable Mortgage's advertising plan is to take heavy advantage of Internet based advertising campaigns, specifically focused on sites where individuals from the mortgage processing industry would visit. Additionally, Valuable Mortgage will take advantage of traditional advertising medias as well, including newspaper, magazine, and possibly radio and television as well.

### Promotions & Public Relations

The primary objectives of the Company's promotion plans are to:

- Inform and persuade potential customers to register on the portal site;
- Build brand and customer loyalty programs associated with the mortgage loan process and Valuable Mortgage services;
- Drive traffic to the Valuable Mortgage portal site as a premiere destination for individuals in the mortgage loan industry; and
- Enrich Valuable Mortgage's corporate image to build confidence with its suppliers, employees, dealers, and financial partners.

The company's promotion strategy consists of advertising, publicity and sales promotion. Additionally, the company will be retaining a leading public relations firm, to design, establish and build corporate and brand identify that will complement other aspects of the Valuable Mortgage's marketing and communications efforts.

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## ORGANIZATION

### Management Summary

The company's management team is comprised of individuals who each have extensive experience in various aspects of Valuable Mortgage's business strategies, and effectively add value to the management team with their unique and specific skillsets. The management team includes:

- President and CEO—Charles Horte: From 1989 to present, Mr. Horte has worked in the financial services industry, with a primary focus in the mortgage industry. Mr. Horte has had extensive responsibilities, including the acquisition of investors for 2nd trust deeds, management of the investment strategy, and management of the A paper investors. Technically, Mr. Horte has a background in systems integration and telecommunications and has designed and implemented many large customer and process oriented implementations both in and out of the mortgage industry.
- Vice President, Business Development—Dante LaMont: Mr. LaMont is the founder and President of Washtenaw Financial Inc., a financial services consulting and trading firm. Mr. LaMont has over 10 years experience in the financial services industry and holds a series 7 license. From 1988 to 1991 Mr. LaMont was Vice President in charge of business development for Financial Database Systems, a company that provides back-office processing and software development for broker/dealers. In 1987-88, Mr. LaMont was an account executive with Lambert Peters Lambert. Mr. LaMont holds a Bachelor of Science degree in Business Management.
- Vice President Finance & Marketing—Matthew Derquizo: Following the achievement of a BA from Yale University, Mr. Derquizo joined a mortgage brokerage firm where for three and a half years he maintained top producer status, generating over \$30 million in home loans. Mr. Derquizo went on to successfully start his own mortgage company with the focus on streamlining the home buying and loan origination process. Mr. Derquizo has in-depth

knowledge of the mortgage industry and what is required to successfully manage the mortgage process. Mr. Derquizo co-founded ValuableMortgage and has been instrumental in its marketing, creative, direction, fund raising, and growth.

### **Customer Service/Product Support**

The company is committed to superior levels of customer satisfaction. To this end Valuable Mortgage will build an internal customer service department. This department will be staffed by knowledgeable people who are also skilled in being effective on the telephone in interpersonal relationship management. The company's commitment to their customers is their one and only goal.

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## **PRODUCTS & SERVICES**

The intent for the Valuable Mortgage portal site is that it takes advantage of the leading technologies available today on the Internet, and does so completely transparently to the affiliate. This means there will be no 'plugins' to download, and no third-party applications that must be run. This will require a considerable development effort. The company will outsource this functionality, including the hosting of the Valuable Mortgage portal site. This will allow Valuable Mortgage to enter the market with lower capital costs and more effectively stay in step with technology support and growth.

The Valuable Mortgage portal site is the actual website that the Valuable Mortgage user community will interact with. The portal site will constantly be in a state of development so that Valuable Mortgage can assure its content will always be fresh and its appearance friendly and easy to use. The community users will be unaware of this development effort. Some of the specific functions of the Portal site include:

- Hosting the primary connection and website interface that the all the member companies and individuals will access;
- "Click-through" access to a wide variety of Valuable Mortgage partners driven by an "advertising engine" that will randomly place unobtrusive graphical elements on users' screens inviting them to click through and inquire further;
- A wide variety of general information "feeds," e.g., financial quotations, industry news, etc;
- Fully interactive "search engine" software to allow users to search the entire World Wide Web while providing customer service improvement information to Valuable Mortgage; and
- A one-stop shop for communications to parties of the transaction including email, voice-mail, fax, chat, and other telephony functions.

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## **RISK FACTORS**

The company's intellectual property exists in three forms: the web-site names it uses; various services and idea names and appearances on the portal site; and specific technical designs and concepts.

Existing Internet domain names have been registered on behalf of Valuable Mortgage and it is expected that in the course of business new domains will also be registered. Key trademark registrations will be issued for "Valuable Mortgage" and as business continues, more trademarks will also be registered.

Trademarks will be applied for in areas ranging from proprietary technologies and architectures to the applications that are planned for development.

## FINANCIAL ANALYSIS

The company will require six months of development to get to the point where the product can be released in its first version for general distribution. This period of time will include two pilot programs under which a limited public release will be managed. The company expects to be self sufficient on a cash flow basis starting in the sixth month of operations.

The total financial requirement to implement this business plan will subsequently be \$1,561,000.

## STATEMENT OF REVENUE—YEAR ONE

### Statement of revenue-year 1

			Month 1	Month 2	Month 3
Number of loan agents registered			1,350	1,823	2,319
Number of loans processed			135	182	232
Revenue streams	Unit amount	Percent	Month 1	Month 2	Month 3
Membership revenue					
Silver	\$ 29.95	50%	20,216	27,292	34,721
Gold	\$ 49.95	30%	20,230	27,310	34,745
Platinum	\$ 89.95	20%	24,287	32,787	41,712
Loan transaction fees	\$ 600	—	81,000	109,350	139,118
Private lending	\$ 200,000	—	27,000	72,900	139,118
Printing	\$ 40	—	5,400	7,290	9,275
Unified messaging	\$ 5	30%	2,025	2,734	3,478
Website dev/host	\$ 20	20%	5,400	7,290	9,275
Credit counseling	\$ 150	20%	40,500	54,675	69,559
Telecommunications	\$ 5	20%	1,350	1,823	2,319
Credit reports	\$ 100	25%	33,750	45,563	57,966
Knowledge mgmt	\$ 50	10%	6,750	9,113	11,593
Appraisals	\$ 5	10%	675	911	1,159
Title/escrow	\$ 5	10%	675	911	1,159
Termite inspection	\$ 5	10%	675	911	1,159
Home inspections	\$ 5	10%	675	911	1,159
Real estate agents	\$ 5	10%	675	911	1,159
Home warranty	\$ 5	10%	675	911	1,159
Insurance	\$ 50	10%	6,750	9,113	11,593
Training	\$ 30	10%	4,050	5,468	6,956
Licensing fees	\$ 40	10%	5,400	7,290	9,275
ISP partnerships	\$ 30	15%	6,075	8,201	10,434
Accessory sales	\$ 100	5%	6,750	9,113	11,593
Ecommerce sales	\$ 200	5%	13,500	18,225	23,186
Click throughs	\$ 10	80%	10,800	14,580	18,549
Sponsorships	\$ 150	2%	4,050	5,468	6,956
Awards program	\$ 50	2%	1,350	1,823	2,319

[continued]

Statement of revenue—year 1 [CONTINUED]

	Month 4	Month 5	Month 6	Month 7	Month 8
<b>Number of loan agents registered</b>	2,840	3,387	3,961	4,564	5,197
<b>Number of loans processed</b>	284	339	396	456	520
<b>Revenue streams</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>
Membership revenue					
Silver	42,522	50,713	59,314	68,344	77,827
Gold	42,551	50,747	59,353	68,390	77,879
Platinum	51,084	60,924	71,256	82,105	93,496
Loan transaction fees	170,373	203,192	237,652	273,834	311,826
Private lending	227,165	338,653	475,303	547,668	623,652
Printing	11,358	13,546	15,843	18,256	20,788
Unified messaging	4,259	5,080	5,941	6,846	7,796
Website dev/host	11,358	13,546	15,843	18,256	20,788
Credit counseling	85,187	101,596	118,826	136,917	155,913
Telecommunications	2,840	3,387	3,961	4,564	5,197
Credit reports	70,989	84,663	99,022	114,098	129,927
Knowledge mgmt	14,198	16,933	19,804	22,820	25,985
Appraisals	1,420	1,693	1,980	2,282	2,599
Title/escrow	1,420	1,693	1,980	2,282	2,599
Termite inspection	1,420	1,693	1,980	2,282	2,599
Home inspections	1,420	1,693	1,980	2,282	2,599
Real estate agents	1,420	1,693	1,980	2,282	2,599
Home warranty	1,420	1,693	1,980	2,282	2,599
Insurance	14,198	16,933	19,804	22,820	25,985
Training	8,519	10,160	11,883	13,692	15,591
Licensing fees	11,358	13,546	15,843	18,256	20,788
ISP partnerships	12,778	15,239	17,824	20,538	23,387
Accessory sales	14,198	16,933	19,804	22,820	25,985
Ecommerce sales	28,396	33,865	39,609	45,639	51,971
Click throughs	22,716	27,092	31,687	36,511	41,577
Sponsorships	8,519	10,160	11,883	13,692	15,591
Awards program	2,840	3,387	3,961	4,564	5,197

[continued]

## ONLINE MORTGAGE COMPANY

### Statement of revenue—year 1 (CONTINUED)

	Month 9	Month 10	Month 11	Month 12	
Number of loan agents registered	5,862	6,560	7,293	8,063	
Number of loans processed	586	656	729	806	
<b>Revenue streams</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>	<b>Month 12</b>	<b>Annual total</b>
Membership revenue					
Silver	87,783	98,237	109,213	120,739	\$ 796,922
Gold	87,841	98,302	109,286	120,820	\$ 797,454
Platinum	105,457	118,015	131,202	145,048	\$ 957,371
Loan transaction fees	351,717	393,603	437,583	483,762	\$ 3,193,011
Private lending	703,434	787,206	875,167	967,525	\$ 5,784,791
Printing	23,448	26,240	29,172	32,251	\$ 212,867
Unified messaging	8,793	9,840	10,940	12,094	\$ 79,825
Website dev/host	23,448	26,240	29,172	32,251	\$ 212,867
Credit counseling	175,859	196,802	218,792	241,881	\$ 1,596,505
Telecommunications	5,862	6,560	7,293	8,063	\$ 53,217
Credit reports	146,549	164,001	182,326	201,568	\$ 1,330,421
Knowledge mgmt	29,310	32,800	36,465	40,314	\$ 266,084
Appraisals	2,931	3,280	3,647	4,031	\$ 26,608
Title/escrow	2,931	3,280	3,647	4,031	\$ 26,608
Termite inspection	2,931	3,280	3,647	4,031	\$ 26,608
Home inspections	2,931	3,280	3,647	4,031	\$ 26,608
Real estate agents	2,931	3,280	3,647	4,031	\$ 26,608
Home warranty	2,931	3,280	3,647	4,031	\$ 26,608
Insurance	29,310	32,800	36,465	40,314	\$ 266,084
Training	17,586	19,680	21,879	24,188	\$ 159,651
Licensing fees	23,448	26,240	29,172	32,251	\$ 212,867
ISP partnerships	26,379	29,520	32,819	36,282	\$ 239,476
Accessory sales	29,310	32,800	36,465	40,314	\$ 266,084
Ecommerce sales	58,620	65,601	72,931	80,627	\$ 532,168
Click throughs	46,896	52,480	58,344	64,502	\$ 425,735
Sponsorships	17,586	19,680	21,879	24,188	\$ 159,651
Awards program	5,862	6,560	7,293	8,063	\$ 53,217
<b>Total</b>					<b>\$17,755,920</b>

## STATEMENT OF STAFFING AND SALARIES—YEAR ONE

### Statement of staffing and salaries—year one

	Annual
President/CEO	\$ 125,000
VP business development	\$ 125,000
VP sales & marketing	\$ 125,000
CIO	\$ 110,000
CFO	\$ 110,000
Technical staff	\$ 90,000
Technical staff	\$ 80,000
Technical staff	\$ 70,000
Technical staff	\$ 70,000
Technical staff	\$ 50,000
Technical staff	\$ 50,000
Technical staff	\$ 50,000
Customer service staff	\$ 90,000
Customer service staff	\$ 70,000
Customer service staff	\$ 50,000
Customer service staff	\$ 50,000
Customer service staff	\$ 50,000
Admin	\$ 40,000
<b>Total</b>	<b>\$ 1,405,000</b>



**STATEMENT OF PROFIT AND LOSS**

**Statement of profit and loss**

(Dollars in thousands)

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Membership revenue			
Silver	\$ 796.92	\$ 916.46	\$ 1,099.75
Gold	\$ 797.45	\$ 917.07	\$ 1,100.49
Platinum	\$ 957.37	\$ 1,100.98	\$ 1,321.17
Loan transaction fees	\$ 3,193.01	\$ 3,671.96	\$ 4,406.35
Private lending	\$ 5,784.79	\$ 6,652.51	\$ 7,983.01
Printing	\$ 212.87	\$ 244.80	\$ 293.76
Unified messaging	\$ 79.83	\$ 91.80	\$ 110.16
Website dev/host	\$ 212.87	\$ 244.80	\$ 293.76
Credit counseling	\$ 1,596.51	\$ 1,835.98	\$ 2,203.18
Telecommunications	\$ 53.22	\$ 61.20	\$ 73.44
Credit reports	\$ 1,330.42	\$ 1,529.98	\$ 1,835.98
Knowledge mgmt	\$ 266.08	\$ 306.00	\$ 367.20
Appraisals	\$ 26.61	\$ 30.60	\$ 36.72
Title/escrow	\$ 26.61	\$ 30.60	\$ 36.72
Termite inspection	\$ 26.61	\$ 30.60	\$ 36.72
Home inspections	\$ 26.61	\$ 30.60	\$ 36.72
Real estate agents	\$ 26.61	\$ 30.60	\$ 36.72
Home warranty	\$ 26.61	\$ 30.60	\$ 36.72
Insurance	\$ 266.08	\$ 306.00	\$ 367.20
Training	\$ 159.65	\$ 183.60	\$ 220.32
Licensing fees	\$ 212.87	\$ 244.80	\$ 293.76
ISP partnerships	\$ 239.48	\$ 275.40	\$ 330.48
Accessory sales	\$ 266.08	\$ 306.00	\$ 367.20
Ecommerce sales	\$ 532.17	\$ 611.99	\$ 734.39
Click throughs	\$ 425.73	\$ 489.59	\$ 587.51
Sponsorships	\$ 159.65	\$ 183.60	\$ 220.32
Awards program	\$ 53.22	\$ 61.20	\$ 73.44
<b>Total revenue</b>	<b>\$ 17,756.00</b>	<b>\$ 20,419.00</b>	<b>\$ 24,503.00</b>
<b>Cost and expenses</b>			
Application & portal development	\$ 2,400	\$ 1,000	\$ 1,500
Materials	\$ 12	\$ 14	\$ 16
Cellular phones/beepers	\$ 12	\$ 14	\$ 16
Internal salaries	\$ 2,080	\$ 2,392	\$ 2,751
Rent	\$ 24	\$ 28	\$ 32
Delivery/messenger	\$ 10	\$ 12	\$ 13
Insurance	\$ 20	\$ 23	\$ 26
Telephone & utilities	\$ 30	\$ 35	\$ 40
Equipment leases	\$ 25	\$ 29	\$ 33
Hardware/software purchases	\$ 25	\$ 29	\$ 33
Payroll taxes & benefits	\$ 832	\$ 957	\$ 1,100
Hosting fees	\$ 25	\$ 29	\$ 33
Telecommunications fees	\$ 75	\$ 86	\$ 99
Advertising	\$ 750	\$ 500	\$ 500
Entertainment	\$ 20	\$ 23	\$ 26
Sales materials	\$ 35	\$ 40	\$ 46
Travel	\$ 50	\$ 58	\$ 66
Professional fees	\$ 75	\$ 86	\$ 99
Misc. expenses	\$ 250	\$ 288	\$ 331
<b>Total costs and expenses</b>	<b>\$ 6,750</b>	<b>\$ 5,640</b>	<b>\$ 6,761</b>
Income before taxes	\$ 11,006	\$ 14,779	\$ 17,742
Income taxes	\$ (4,182)	\$ (5,616)	\$ (6,742)
<b>Net income</b>	<b>\$ 6,824</b>	<b>\$ 9,163</b>	<b>\$ 11,000</b>
<b>Percentage of sales</b>	<b>38%</b>	<b>45%</b>	<b>45%</b>