



# DUTTON ASSOCIATES

INDEPENDENT RESEARCH

## RESEARCH REPORT

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### MortgageBrokers.com Holdings Inc.

January 16, 2007

Symbol (OTCBB)	MBKR	Fiscal Year Ending: December				
Industry:	Banks, Financial Services & Insurance	Year	EPS	P/E	REVS	PSR
Recent Price:	\$0.59	2005	A (\$0.02)	---	x \$0.2	92.3 x
52-Week Price Range:	\$0.17 - \$3.50	2006	E (\$0.04)	---	x \$3.9	5.4 x
Target Price (12 Months)	\$1.50	2007	E \$0.20	3.0	x \$24.0	0.9 x
Avg. Daily Vol. (3 mo.):	6,065	2008	N/A ---	---	x ---	---
		2009	N/A ---	---	x ---	---

Balance Sheet Data (mil)	09/30/06	Ownership and Valuation (mil)	Current Rating History
Cash Equivalent:	\$1.4	Shares Outstanding:	36
Working Capital:	\$0.6	Inside Ownership:	85%
Long-Term Liabilities:	\$0.0	Institutional Ownership:	N/A
Shareholders' Equity:	\$0.7	Equity Market Value:	\$21.2
		Date Assigned:	1/16/07
		Price at Rating:	\$0.59
		Original Price Target:	\$1.50
		Time Frame:	12 Months

Note 1: FY2005 was from the period February 6, 2005 (date of inception) to December 31, 2005.

Note 2: Shares at December 31, 2005 were 27.1 million.

#### Initial Report

### Rating: Strong Speculative Buy

#### Basis for Rating

- MortgageBrokers.com Holdings, Inc. (MortgageBrokers.com) is successfully addressing a large and growing mortgage market in Canada and will soon make its presence known in the United States mortgage market.
- MortgageBrokers.com is aggressively marketing to the 42,000 small and medium (SME) mortgage brokers in North America.
- MortgageBrokers.com's recent financial results for the period ended September 30, 2006 registered more than a 1,000% increase in reported gross revenue since December 31, 2005.
- MortgageBrokers.com's growth in revenue increased an average of 219% on a sequential quarter-to-quarter basis since the second quarter of FY2005.
- MortgageBrokers.com has recently increased its staff with experienced management executives.
- MortgageBrokers.com's strategy is to create a financial, technical, and equity-based infrastructure to attract individual mortgage originators into its organization.
- MortgageBrokers.com has finalized important partnership alliances with recognizable major firms, including RE/MAX Ontario-Atlantic Canada Inc., and MaxWell Realty.

This report reviews the progress made to date on the strategies that MortgageBrokers.com is employing to accomplish its goal of building the business into a major, profitable organization serving the mortgage needs of individual lenders, real estate professionals, builders, and individual homeowners in Canada and ultimately the United States.

## Profile

MortgageBrokers.com's business model is the consolidation of the small and medium sized enterprise (SME) mortgage brokerages into a scalable operating national network of branch retail offices that can better compete in the mortgage industry under one recognizable brand while eliminating long-standing industry issues of agent retention, equity ownership, and exit strategy. The independent SME mortgage broker faces problems that include working on a long-term basis with a source of mortgage referrals, the retention of key people, and the ultimate exit or sale of the business. Through its consolidation program, MortgageBrokers.com affords solutions to the independent mortgage broker who is faced with the everyday back office administrative details, meeting the compliance requirements, and the expenses of running an independent business.

MortgageBrokers.com offers an opportunity for the independent SME mortgage broker to become affiliated with an organization that has alliances with major recognizable brands, *i.e.*, RE/MAX and MaxWell Realty. A stock-ownership plan allows the independent SME broker to build up an equity stake for the ultimate sale or retirement from business. Further, MortgageBrokers.com established infrastructure that includes a technological proprietary platform, eXimius®, that allows the independent mortgage broker to reduce company operating costs, improve communication to mortgage borrowers, provide the basis for back-end shared services technology infrastructure, and to facilitate knowledge transfer among the loan originators.

To attract mortgage originators, MortgageBrokers.com initiated its Broker Channel Acquisition Program in August 2005. Through this program, MortgageBrokers.com will be offering MortgageBrokers.com equity ownership to independent SME mortgage brokers by giving stock warrants dependent upon the volume or originations and time with MortgageBrokers.com. Generally, the size of a potential warrant issue to a contracted sales agent or sales agent team is based upon a discounted cash flow valuation of the margin contribution to the Company's bottom line represented by the mortgage agent's mortgage origination sales volume over a five year forward period and taking into account foreign exchange and the Company's cost structure. The mortgage agents are not eligible to earn stock warrants until a minimum term sales period is completed in full, the first of which is five years following execution of an agency sales contract with the Company. The expected first Company stock warrants associated with this program may be executed by contracted sales mortgage agents in the fall of 2010, which might be registered and monetized in 2011, at the earliest. It is expected that stock warrants for as many as 5,000,000 shares will be executed with the Canadian agency sales force between 2010 and 2015.

Alex Haditagli, the Company Chairman and Chief Executive Officer, agreed January 31, 2006, that the first 4,000,000 shares to be exercised from warrant agreements through this program by the national sales agency network would be provided out of Mr. Haditagli's personal holdings and be non-dilutionary on the Company's capital structure. Under this agreement Alex Haditagli will cancel 4,000,000 of his personal shares upon the Company issuing 4,000,000 shares to the Company's agency sales force.

The Company may modify this initiative from time to time in the future for new agents as may be determined from time to time by the Company's Board for the management of the Company's capital structure, changing market conditions, changes in the Company's cost structure and changes in the national agency sales force margin contribution to the Company. Presently, under the existing formula, a mortgage agent team responsible for originating \$100 million in aggregate mortgage volume over the next five to seven years would be eligible to receive approximately 83,000 cashless (fully earned) stock warrants and \$115,000 dollars worth of cashless (fully earned) stock warrants at the end of the term (based on the price of the stock at commencement of vestment but with a minimum value of USD \$1.00, pursuant to the execution of a warrant agreement. It is identified in the sales agency agreement that the warrant minimum exercise price will be established at USD \$1.00.

## **History Of MortgageBrokers.com Holdings Inc.**

MortgageBrokers.com was formerly known as MagnaData, Inc. and organized under the laws of the state of Delaware on February 6, 2003. On January 31, 2005, the Company's current majority shareholder, Mr. Alex Haditaghi, purchased 1,510,000 shares from three shareholders of Magna Data Inc. for cash consideration (\$692, 813) in an arms length transaction (See Form 8-K filed by the Company on February 7, 2005). This share purchase represented approximately 78% of Magna Data's common shares outstanding at the time of the transaction, based on the Company's December, 2004, Form 10-KSB. At that time there was only one corporate entity involved in the transaction, Magna Data Inc., which based on the 2004 Form 10KSB, was a development stage company. On February 11, 2006 Magna Data Inc.'s name was changed to MortgageBrokers.com Holdings, Inc.

A change of name to MortgageBrokers.com Holdings, Inc. was registered with the state of Delaware in February 2005. MortgageBrokers.com is a relatively young enterprise, having been in business only 22 months, but is fast becoming involved in mortgage finance, brokerage, sales, and consulting in Canada, the United States, and the European Union. MortgageBrokers was an SEC designated Development Stage Enterprise from February 2005 until it passed through the Development Stage Enterprise in the second quarter of FY2006.

MortgageBrokers.com, through its subsidiaries, acts as a mortgage brokerage firm serving the lending needs of real estate professionals, builders, and individual homebuyers across Canada. MortgageBrokers.com has access to a full range of mortgage sources and is dedicated to finding the right loan with the best rate, term, and cost to meet each client's unique needs. MortgageBrokers.com generates revenue by placing mortgages with third-party lenders who in return pay the company a combination finder's fee and volume bonus that range on average between 75 to 150 basis points (0.75% to 1.5%) of the total mortgage volume. In addition, MortgageBrokers.com earns nominal revenues through the referral of creditor insurance, again through third-party providers.

MortgageBrokers.com is the first publicly traded independent mortgage brokerage operating in Canada with a universal domain name that provides expansion opportunity to markets outside Canada and the United States. Through a marketing agreement, with REMAX, MortgageBrokers.com gained market access to eight states and the Euro Union. MortgageBrokers.com has created a sustainable business model that addresses long standing mortgage broker industry issues of ownership, exit strategy, and retention, while at the same time creating a model with market supply chain partners that generates revenue and equity participation for referral source partners.

## **Brief Description of Canadian Mortgage Market**

The mortgage credit market is a large component of the Canadian economy. According to a September survey by the Canadian Institute of Mortgage Brokers and Lenders, outstanding Canadian mortgage credit was valued at \$687.0 billion at mid-2006, compared to \$617.0 billion at mid-2005. Canadian mortgage credit is expected to grow by 10.8% in 2006 for a year-end total of \$730.0 billion. Further growth of 10.5% is forecasted for 2007 for a Canadian mortgage credit of \$808.0 billion by year-end. Approval activity in 2006 will be approximately \$197.6 billion (8.5% higher than in 2005). For 2007, approvals are forecasted to exceed \$200.0 billion for the first time at \$204.5 billion (3.5% higher than in 2006).

More Canadians are consulting with mortgage brokers (31% in 2006 versus 25% in 2005) whether they are taking out a new mortgage, renewing, or refinancing an existing mortgage. The average rate for current mortgage holders is 5.05%, well below posted rates for the major lenders, and this suggests that comparison-shopping is working to their advantage.

The Canadian mortgage market is quite different from the United States mortgage market. The average home mortgage in Canada is for a term of three to five years. This means that the borrower will be renewing his mortgage in the third or fifth year, regardless of the rates. This three-to five-year mortgage-term situation ameliorates the ups and downs of the mortgage market that are created by rising and falling interest rates. Canadian homeowners are mostly conservative in nature and usually do not go in for the practice of leveraging the equity in the home through second or third home equity

loans. Rather, they may increase or decrease the principal at the regular ending of the term of the three- or five-year mortgage. This creates the situation that mortgage providers make customer relations a priority and are in contact with borrowers many times a year.

MortgageBrokers.com has entered into a tight mortgage origination market that is now loosening up. Historically, mortgage origination channel in Canada can be segmented into three broad categories and their relative market share: the bank branch networks account for more than 50% of the market share of the origination channel; bank mobile mortgage sales teams account for approximately 24% of the origination channel; and independent mortgage brokers account for approximately 26% of originations.

There are only five large Canadian coast-to-coast mortgage originators that control more than 50% of mortgage originations, and with their mobile mortgage sales teams, the banks claim to control close to 75% of mortgage brokers. MortgageBrokers.com is concentrating on attracting individual mortgage brokers from the bank branch networks and mobile mortgage sales teams. MortgageBrokers.com is also focusing on attracting mortgage originators from the 26% SME individual mortgage brokers. With success in this market, MortgageBrokers.com hopes to change the percentages and to increase the number of mortgages being written by SME individual mortgage brokers under the umbrella of MortgageBrokers.com.

### **The Specifics of Strategies and Progress for MortgageBrokers.com**

It has been less than two short years since Alex Haditaghi made the initial share purchase MagnaData Inc. and then purchased all of the MortgageBrokers.com shares. After a name change and the operating subsidiaries establishment, a series of strategic plans were put in place to begin the growth in becoming a multi-sales channel mortgage origination company. The strategies for growth outlined in MortgageBrokers.com's SEC Form 110KSB for December 31, 2005 and the progress thus far include:

1. Within the mortgage broker channel, MortgageBrokers.com's strategy is to increase mortgage originations through internal growth and/or acquisitions and alliances with partners. The progress thus far:
  - a) On January 17, 2006, MortgageBrokers.com announced the acquisition of Elite Mortgage, located in Ottawa, Canada. Elite brought a team of 16 mortgage consultants that serve Ottawa and Eastern Ontario regions of Canada to MortgageBrokers.com.
  - b) On January 25, 2006, MortgageBrokers.com announced a partnership agreement with Lending Source Canada Inc. Lending Source Canada brought a projected mortgage origination volume of \$500.0 million (CDN) and revenue in excess of \$5.1 million CDN to MortgageBrokers.com in 2006.
  - c) On February 27, 2006, MortgageBrokers.com announced the licensing of Your Mortgage Connection in an all-stock transaction through shares that were personally owned by the Chairman and CEO of MortgageBrokers.com and, therefore, the acquisition is non-dilutive to the current shareholders. Your Mortgage Connection brought more than 33 independent, licensed mortgage brokers serving the Southern Ontario Area. Your Mortgage Connection is expected to generate \$350.0 million (CDN) in mortgage origination volume in 2006. This arrangement was reversed and the license was eliminated in May 2006.
  - d) On March 20, 2006, MortgageBrokers.com announced it signed a Letter of Intent (LOI) to acquire a privately held New Jersey-based mortgage broker and banker with licenses in seven states in the United States. This acquisition would be the first in the \$3.8 trillion U.S. mortgage market and, once completed, could potentially bring \$400.0 million in mortgage origination volume and \$5.2 million in gross revenue to MortgageBrokers.com.
  - e) MortgageBrokers.com announced that Your Mortgage Team, one of Ontario's most established and reputable mortgage brokers, joined MortgageBrokers.com. Your Mortgage Team founders David Ross and Robert

Hachey, along with approximately 13 mortgage agents and support staff, are based in Toronto, Canada's largest city, the epicenter of Canada's largest mortgage market, where they currently operate two storefront retail locations.

2. Within the traditional real estate channel, MortgageBrokers.com's strategy is to re-engineer the lead referral model with an international real estate company as a strategic partner. The progress thus far:
  - a) On January 30, 2006, MortgageBrokers.com and RE/MAX Ontario-Atlantic Canada Inc. (RE/MAX O-A) entered into a 10-year license agreement, commencing on June 1, 2006, under which MortgageBrokers.com will provide support of North American mortgage finance and origination business solutions to RE/MAX OA, its franchisees, and their salespersons. MortgageBrokers.com's support program is known as the "Mortgage Broker Solution". In consideration for this alliance, RE/MAX and its franchisees have been provided an opportunity to invest up to \$6.0 million in MortgageBrokers.com through a PIPE consisting of up to 6.0 million units at \$1.00 per unit, each unit comprised of one share and one full warrant, and each warrant convertible into one further share at an exercise price that is 30% below the 30-day moving average price of the Company shares preceding the date such warrants are exercised. One-fifth of such warrants shall be exercisable on each anniversary date of the closing of the offering in each of the first five years following the completion of the offering, and if not exercised within 30 days of such anniversary date, shall expire. MortgageBrokers.com will offer sales associates, franchises, and the region revenue sharing from mortgage referrals. Note: This agreement was modified on May 27, 2006. Mr. Haditaghi is providing 4.0 million shares from his personal holdings to attract the licensure of new mortgage agents.
  - b) On February 1, 2006, MortgageBrokers.com announced a partnership agreement with Wells Fargo Financial Corporation Canada and MortgageBrokers.com Holdings Inc., under which Wells Fargo Financial Canada will provide dedicated resources for MortgageBrokers.com to generate greater mortgage volume for both companies. This partnership will contribute toward increasing MortgageBrokers.com mortgage volume at reduced origination cost, as well as further expand its strategic position in the mortgage origination market. Wells Fargo Financial Canada offers retail-financing programs to national and local retailers through 165 stores in all 10 provinces, a network of more than 3,400 merchants and 2,700 team members across Canada.
  - c) On April 25, 2006, MortgageBrokers.com announced it entered into a licensing agreement with *MaxWell Realty*, the largest independent real estate company in Alberta, Canada. According to the agreement, MortgageBrokers.com's sales force will service *MaxWell's Realty* offices, whose network is comprised of over 20 offices with over 650 successful real estate agents throughout the province of Alberta.

## **Management**

### **Alex Haditaghi, President, Chief Executive Officer and Chairman of the Board of Directors**

Alex Haditaghi has been working in the mortgage industry in Canada since 1999 and has extensive experience in both residential and commercial mortgages. He has worked with some of the top financial institutions in Canada and has developed solid relationships with leading private and institutional mortgage brokers and lenders. Mr. Haditaghi founded Infosoft Media, an e-commerce information company, where he increased the client list to over 200 large and medium companies. Realizing a need for an online mortgage brokerage in Canada, Mr. Haditaghi formed Lending Tree Canada in 2000. He served as CEO and President for five years until he founded MortgageBrokers.com in January 2005. Today, as CEO of MortgageBrokers.com, Mr. Haditaghi is responsible for the business vision, expansion, resources, and providing overall leadership.

The following individuals are not officers or directors of MortgageBrokers.com but are key members of its management team:

**Dong Lee, Executive Vice President of Operations**

As Vice President of Operations, Mortgage Broker Division for Mortgagebrokers.com, Dong Lee brings expertise in both the mortgage financing and banking sectors. In his role as Senior Manager-Alternate Delivery Channels for Scotiabank, Lee oversaw the strategic development of both Scotiabank's mobile mortgage sales team and mortgage broker delivery channels. In this position, Lee was responsible for the strategic marketing and development of sales programs. Before joining Scotiabank, Lee spent several years as the Business Development Officer for the Canada Mortgage & Housing Corporation (CMHC), where he managed and grew the market share of CMHC's largest lender portfolio. Before specializing in the mortgage sector, Lee spent several years with TD Bank Financial group as Manager of Korean Banking, that position, Lee envisioned, launched, and managed the Korean Banking Centre, establishing a multi million dollar referral network with several of the largest banks in Korea. A graduate from Queen's University's Business program, Lee is currently completing his MBA through Dalhousie University.

**Robert Hyde, Executive Vice President Finance and Administration**

Mr. Hyde joined MortgageBrokers.com following a 17-year career in the engineering, software, and venture capital industries, servicing the real estate, financial services, and petrochemical industries with significant business building experience and leadership roles in Canada, the US, and the European Union. Most recently, Mr. Hyde was Managing Director of Paladin Capital Ventures. Paladin Capital Ventures provides early stage technology based companies/divisions/ entrepreneurial subsidiaries with business model development, strategic planning, finance, and capital planning, facilitating Venture Capital and Private Placement, and providing strategic market planning services. Prior to this, Mr. Hyde was the founder and managing director of eRealVantage Incorporated, a real estate investment portfolio securitization technology company servicing the REIT and pension fund portfolio market place. Prior to this, he was President of Enviro Cheq Corporation and Vice President of the knowledge-based risk management company, Trillium Environmental Corporation. A resident of Toronto, Mr. Hyde graduated from the Richard Ivey School of Business, University of Western Ontario, (MBA) in 2003 and received his master's of engineering degree from University of Windsor in 1990. He is a Professional Engineer in the Province of Ontario and has completed numerous executive training courses including the Art of Negotiation. He is currently completing his CFA designation. His charity work over the past seven years has focused on the teaching of disabled children the sport of downhill skiing through the Track3 Organization of Canada.

**Matthew Laverty, Vice President of Sales – Eastern Canada**

Prior to joining MortgageBrokers.com, Mr. Matthew Laverty was based in Ottawa as Regional Sales Director, Eastern Ontario and Atlantic Canada for Mortgage Intelligence Inc., a GMAC company. Prior to that, Mr. Laverty spent ten years in various sales, marketing, and management roles at Americredit Financial Services, Canadian Imperial Bank of Commerce (CIBC) and The Associates Financial Services of Canada. As Regional Director at Mortgage Intelligence, Mr. Laverty was responsible for the recruitment, management, and revenue generation of over 130 mortgage consultants. Mr. Laverty's accomplishments include in excess of 50% mortgage origination market share amongst mortgage brokers in the Ottawa region and year-over-year sales growth of 300%. Mr. Laverty's role at MortgageBrokers.com is to lead the execution of Mortgage Broker Channel Acquisition Sales plan across Eastern Canada. He will be leading the acquisition strategy, establishing MortgageBroker.com's national network of mortgage broker managing partners.

**Dave Mercer, Vice President of Sales – Western Canada**

Prior to joining MortgageBrokers.com, Mr. Dave Mercer, a 23-year veteran of the real estate and mortgage broker industry, was President of Lending Source Canada Inc. Previously, Mr. Mercer spent four years as a top producing regional manager for The Mortgage Alliance Company of Canada, which today claims to be the largest independent mortgage originator in Canada. Through his career in the industry, Mr. Mercer has been responsible for the recruitment, training, and mentorship of over 300 mortgage brokers across Canada. Mr. Mercer has also served as President of the Alberta Mortgage Brokers Association, and for many years served as the Chair for the Communications and Ethics committees. Mr. Mercer also currently teaches for the Alberta Real Estate Association (AREA) through Mt. Royal College. Mr. Mercer will be responsible for introducing MortgageBrokers.com's value proposition to mortgage brokers

across the country through executing the company's Broker Channel Acquisition Program. Through this program, MortgageBrokers.com will be offering mortgage brokers equity ownership in a public company in exchange for their origination volume. In addition, Mr. Mercer will be focusing on expanding the company's product offering to strengthen the sustainability of MortgageBrokers.com's business model, while further legitimizing the broker channel as a first choice for financing. Through ongoing diversification of the company's product offerings and associated revenue streams, Mr. Mercer will help the executive management team build sustainable mortgage broker partner commissionable earnings, especially in an unstable and rising interest rate environment.

**Miles Kulik, President of MortgageBrokers.com Financial Group of Companies Inc.**

Mr. Miles Kulik, a recent new member of MortgageBrokers.com management team, has over 15 years of mortgage experience and research in both Canada and Australia. His international knowledge will enrich MortgageBrokers.com's management team and help it to meet its objective to be an international mortgage origination leader. Mr. Kulik has been a key contributor to Canada's mortgage industry through his involvement on various trusts, brokerages, and financial institution advisory boards. He is considered to be one of Canada's pioneers in the consolidation of brokerage operations, having completed his first consolidation over five years ago. His employment has spanned from origination, to management of Canada's largest originators.

**Peter Doherty, Vice President Business Development**

Mr. Doherty is an accomplished and experienced executive in the Canadian mortgage industry, where he has held senior management positions with various companies including Mortgage Intelligence (A GMAC company), FirstLine Mortgages and XCEED Mortgage Corp., leading strategic projects and business units.

**Recent Financials**

**Table 1. Balance Sheet  
September 30, 2006, Compared with December 31, 2005**

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Current Assets		
Cash	\$ 1,349,303	\$ 169,093
Prepaid expenses	37,170	9,888
Total Current Assets	<u>\$ 1,386,473</u>	<u>\$ 178,981</u>
Furniture and Equipment, net	\$ 128,131	\$ 88,239
Deferred Offering Costs, net	<u>\$ -</u>	<u>\$ 30,329</u>
Total Assets	<u>\$ 1,514,604</u>	<u>\$ 297,549</u>
<b>LIABILITIES</b>		
Current Liabilities		
Bank indebtedness	\$ 103,000	\$ 94,578
Accounts payable	139,679	170,890
Accrued liabilities	316,090	86,829
Notes payable	18,360	150,000
Advances from related party	251,774	348,525
Total Current Liabilities	<u>\$ 828,903</u>	<u>\$ 850,822</u>
Total Liabilities	<u>\$ 828,903</u>	<u>\$ 850,822</u>
<b>STOCKHOLDERS' EQUITY</b>		
Capital Stock		
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 35,992,470 (2005:33,395,000 issued and outstanding)	\$ 3,599	\$ 3,394
Additional Paid-in Capital	2,698,600	722,611
Subscription Receivable	(242,301)	(630,000)
Accumulated Other Comprehensive (Loss) Income	(55,274)	11,128
Deficit	<u>(1,718,923)</u>	<u>(660,406)</u>
Total Stockholders' Equity (Deficit)	<u>\$ 685,701</u>	<u>\$ (553,273)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,514,604</u>	<u>\$ 297,549</u>

Source: SEC 10Q filing as of September 30, 2006.

**Assets**

- Cash as of September 30, 2006 was \$1.3 million, compared with \$169,093 as of December 31, 2005.
- Current assets as of September 30, 2006 were \$1.4 million, compared with \$178,981 as of December 31, 2005.
- Total assets of September 30, 2006 were \$1.5 million, compared with \$297,549 as of December 31, 2005.

**Liabilities**

- Bank indebtedness as of September 30, 2006 was \$103,000, compared with \$94,578 as of December 31, 2005. On November 22, 2005, MortgageBrokers.com obtained a line of credit of \$134,348 (C\$150,000). The line of credit bears interest at the bank's prime rate plus 0.5%, is unsecured, and due on demand.
- Accounts payable as of September 30, 2006 were \$136,679, compared with \$170,890 as of December 31, 2005.
- Accrued liabilities as of September 30, 2006 were \$316,090, compared with \$88,829 as of December 31, 2005.
- Notes payable as of September 30, 2006 were \$18,360, compared with \$150,000 as of December 31, 2005. As of September 30, 2006, notes payable totaling \$18,360 was unsecured, due on demand and is non-interest bearing.
- Advances from related party as of September 30, 2006 were \$251,774, compared with \$348,225 as of December 31, 2005. As of September 30, 2006, a stockholder and officer of MortgageBrokers.com had advanced \$251,774 (as of December 31, 2005, \$348,525) to the Company to fund its working capital. The advances are unsecured, due on demand, and are non-interest bearing.
- Total current liabilities as of September 30, 2006 were \$828,903, compared with \$850,822 as of December 31, 2005.
- Total liabilities as of September 30, 2006 were \$828,903, compared with \$850,822 as of December 31, 2005.
- Working capital as of September 30, 2006 was \$557,570, compared with a negative working capital position of \$671,931 as of December 31, 2005.
- Current ratio as of September 30, 2006 was 1.7/1, compared with .2/1 as of December 31, 2005.

**Stockholders' Equity**

- Common stock and additional paid-in capital as of September 30, 2006 were \$2,702,199, compared with \$728,005 as of December 31, 2005.
- Subscription receivable as of September 30, 2006 was \$(242,301), compared with \$(630,000) as of December 31, 2005. On June 12, 2006, MortgageBrokers.com completed an offering in which it issued a total of 2,112,470 shares of its common stock to accredited investors, including RE/MAX executives and franchisees, at a price per share of \$1.00 for an aggregate offering price of \$2,112,470. As of September 30, 2006 payment of \$1,870,169 (including conversion of notes payable totaling \$250,000) was received and promissory notes were executed for the balance of \$242,301. The promissory notes, the majority of which are due on December 29, 2006, are unsecured and non-interest bearing.
- Total stockholders' equity (deficit) as of September 30, 2006 was \$685,701, compared with \$(553,273) as of December 31, 2005.
- Total liabilities and stockholders' equity as of September 30, 2006 were \$1,514,604, compared with \$297,549 as of December 31, 2005.

**Comments on the Balance Sheet as of September 30, 2006**

Considering the short time that MortgageBrokers.com has been in business, the increases in all line items of the asset side of the balance sheet are most impressive. This growth in assets, without a commensurate growth in liabilities, resulted in an increase in stockholders' equity from a deficit to a positive. The swift ending of its developmental stage is also impressive.

**Table 2. Condensed Operating Statements (Unaudited)  
September 30, 2006 Compared with September 30, 2005**

	<b>Three Months Ended September 30, 2006</b>	<b>Three Months Ended September 30, 2005</b>	<b>Nine Months Ended September 30, 2006</b>	<b>Nine Months Ended September 30, 2005</b>
Revenues	\$ 1,306,746	\$ 85,711	\$ 2,396,481	\$ 119,181
Expenses				
Salaries and benefits	\$ 198,800	\$ -	\$ 596,306	\$ 100,381
Commission and agent fees	962,124	-	1,805,084	-
General and administrative expenses	264,811	203,784	960,202	329,542
Occupancy costs	27,236	-	85,231	-
Total Operating Expenses	<u>\$ 1,452,971</u>	<u>\$ 203,784</u>	<u>\$ 3,446,823</u>	<u>\$ 429,923</u>
Loss from Operations	\$ (146,225)	\$ (118,073)	\$ (1,050,342)	\$ (310,742)
Other Expenses	\$ (1,824)	\$ (388)	\$ (8,175)	\$ (473)
Loss Before the Undernoted	\$ (148,049)	\$ (118,461)	\$ (1,058,517)	\$ (311,215)
Gain on Extinguishment of Debt	\$ -	\$ -	\$ -	\$ 80,425
Loss Before Income Taxes	\$ (148,049)	\$ (118,461)	\$ (1,058,517)	\$ (230,790)
Provision for Income Taxes	\$ -	\$ -	\$ -	\$ -
Net Loss	\$ (148,049)	\$ (118,461)	\$ (1,058,517)	\$ (230,790)
Foreign-Currency Translation	\$ (64,675)	\$ 21,752	\$ (66,402)	\$ 20,336
Total Comprehensive Loss	\$ (212,724)	\$ (96,709)	\$ (1,124,919)	\$ (210,454)
Basic and Diluted Loss per Share	\$ (0.006)	\$ (0.003)	\$ (0.032)	\$ (0.018)
Weighted average number of shares outstanding during the periods - basic and diluted	34,928,481	32,935,000	35,584,693	11,707,469

Source: Company filings and Dutton Associates.

**Operating Statement Data for Three Months Ended September 30, 2006 as Compared with Three Months Ended September 30, 2005**

- Revenue for the three months ended September 30, 2006 was \$1.3 million, compared with \$85,711 for the three months ended September 30, 2005.
- Salaries and benefits were \$198,600, and commission and agent fees were \$962,124 for the three months ended September 30, 2006. For the three months ended September 30, 2005, there were no salaries and benefits or commission and agent fees.
- General and administrative expenses for the three months ended September 30, 2006 were \$264,811, compared with \$203,784 for the three months ended September 30, 2005.

- Total operating expenses for the three months ended September 30, 2006 were \$1,452,971, compared with \$203,784 for the three months ended September 30, 2005.
- Loss from operations for the three months ended September 30, 2006 was \$146,225, compared with \$118,073 for the three months ended September 30, 2005.
- Loss before income taxes and net loss for the three months ended September 30, 2006 was \$148,049, compared with \$118,461 for the three months ended September 30, 2005.
- Foreign currency translation for the three months ended September 30, 2006 was \$(64,675), compared with \$21,752 for the three months ended September 30, 2005.
- Total comprehensive loss for the three months ended September 30, 2006 was \$(212,724), compared with a loss of \$(96,709) for the three months ended September 30, 2005.
- Basic and diluted loss per share for the three months ended September 30, 2006 was \$(0.006) on 34,928,481 basic and diluted weighted average number of shares outstanding, compared with \$(0.003) on 32,930,000 basic and diluted weighted average number of shares outstanding for the three months ended September 30, 2005.

**Operating Statement Data for Nine Months Ended September 30, 2006 as Compared with Nine Months Ended September 30, 2005**

- Revenue for the nine months ended September 30, 2006 was \$2.4 million, compared with \$119,181 for the nine months ended September 30, 2005.
- Salaries and benefits were \$596,306 for the nine months ended September 30, 2006, compared with \$100,381 for the nine months ended September 30, 2005.
- Commission and agent fees for the nine months ended September 30, 2006 were \$1,805,084. In the nine months ended September 30, 2005, there were no commission and agent fees.
- General and administrative expenses for the nine months ended September 30, 2006 were \$960,202, compared with \$329,542 for the nine months ended September 30, 2005.
- Total operating expenses for the nine months ended September 30, 2006 were \$3.4 million, compared with \$429,923 for the nine months ended September 30, 2005.
- Loss from operations for the nine months ended September 30, 2006 was \$1.0 million, compared with \$310,742 for the nine months ended September 30, 2005.
- Loss before income taxes for the nine months ended September 30, 2006 was \$(1.0 million), compared with \$(311,215) for the nine months ended September 30, 2005.
- There was no gain on extinguishment of debt in the nine months ended September 30, 2006. Gain on extinguishment of debt in the nine months ended September 30, 2005 was \$80,425.
- Foreign currency translation for the nine months ended September 30, 2006 was a loss of \$(64,402), compared with \$20,336 for the nine months ended September 30, 2005.
- Total comprehensive loss for the nine months ended September 30, 2006 was \$(1.0 million), compared with \$(210,454) for the nine months ended September 30, 2005.
- Basic and diluted loss per share for the nine months ended September 30, 2006 was \$(0.03) on weighted average number of shares outstanding of 35,584,693, basic and diluted, compared with \$(0.018) on weighted average number of shares outstanding of 11,707,469, basic and diluted, for the nine months ended September 30, 2005.

## Comments on the Quarter and Nine Months Operating Results

Considering that MortgageBrokers.com was founded in January 2005, the results for the three months ended September 30, 2006 and nine months ended September 30, 2006 are not only impressive, the strong increase in revenue for the three months and nine months bode well for continued increases in the coming quarters. In a press release dated November 22, 2006, MortgageBrokers.com management commented on the events that transpired during the three months ended September 30, 2006:

- MortgageBrokers.com's primary activities through this reporting period relate to building national agency sales force, further developing back office agent servicing operations, and executing strategic partnerships with the newly signed alliance partners, RE/MAX O/A Inc. (RE/MAX) and Maxwell Realty Inc. (MAXWELL).
- On November 9, 2006, MortgageBrokers.com had 149 licensed mortgage brokers and agents in Canada, having an estimated \$1.5 billion in aggregated annual mortgage origination books of business.
- At the end of the reporting period, MortgageBrokers.com's national sales agency network was operating six retail office locations under the MortgageBrokers.com brand.
- During the third quarter of 2006, MortgageBrokers.com's back office experienced a significant upsurge in deal flow as a result of the strong growth in the Company's national agency sales force. This resulted in the processing of a 75% increase from second-quarter mortgage files and a 68% increase in mortgage volumes from the second quarter of 2006. Compared to the first quarter of 2006, mortgage volume has increase 248% and MortgageBrokers.com expects this level of growth to continue through the fourth quarter when mortgage-financing volume is generally low, due to seasonality.
- At the end of the reporting period, the Company showed an 82.3% penetration of RE/MAX investor franchises through service level agreements and strong acceptance of this program from the sales associate network in those offices where it has representation.

## Valuation

While it is difficult to forecast revenue and earnings for a fledgling company such as MortgageBrokers.com, we present the following income model:

The increase in revenue for fourth-quarter FY2006 and the increase in revenue for 2007 over 2006 reflect the recent acquisitions and hiring of mortgage originators. It is estimated that the level of mortgage originations to be funded in fourth-quarter FY2007 is \$1.5 billion, and with the 100 basis points gross to MortgageBrokers.com, will result in revenue of approximately \$1.5 million. With the ramp-up of mortgage funding in FY2007, the annual level of mortgage funding by MortgageBrokers.com is estimated at \$24.0 billion, which will result in revenue of \$24.0 million. The income model will become more refined regarding the expenses after the fourth quarter and into the first quarter of 2007; however, this model shows what level of revenue is necessary for break-even earning and cash flow positive.

**Table 3. Income Model**

	<b>Actual Nine Months Ended September 30, 2006</b>	<b>Estimated Three Months Ended December 31, 2006</b>	<b>Estimated 12 Months Ended December 31, 2006</b>	<b>Projected 12 Months Ended December 31, 2007</b>
Revenue	\$ 2,396,481	\$ 1,500,000	\$ 3,896,481	\$ 24,000,000
Expenses				
Salaries and benefits	\$ 596,306	\$ 210,000	\$ 806,306	\$ 2,000,000
Commission and agent fees	1,805,084	1,120,000	2,925,084	13,200,000
General and administrative expenses	960,202	285,000	1,245,202	2,500,000
Occupancy costs	85,231	35,000	120,231	200,000
Total Operating Expenses	\$ 3,446,823	\$ 1,650,000	\$ 5,096,823	\$ 17,900,000
Gain (Loss) from Operations	\$ (1,050,342)	\$ (150,000)	\$ (1,200,342)	\$ 6,100,000
Other Expenses	\$ (8,175)	\$ (2,000)	\$ (10,175)	\$ (15,000)
Loss Before Income Taxes	\$ (1,058,517)	\$ (152,000)	\$ (1,210,517)	\$ 6,085,000
Provision for Income Taxes	\$ -	\$ -	(242,103)	1,825,500
Net Loss	\$ (1,058,517)	\$ (152,000)	\$ (1,452,620)	\$ 7,910,500
Foreign-Currency Translation	\$ (66,402)	\$ (50,000)	\$ (116,402)	\$ (100,000)
Total Comprehensive Loss	\$ (1,124,919)	\$ (202,000)	\$ (1,326,919)	\$ 7,810,500
Basic and Diluted Loss per Share	\$ (0.03)	\$ (0.01)	\$ (0.04)	\$ 0.20
Weighted average number of shares outstanding during the periods - basic and diluted	35,584,693	36,000,000	36,000,000	40,000,000

Source: Company data and Dutton Associates.

## Summary

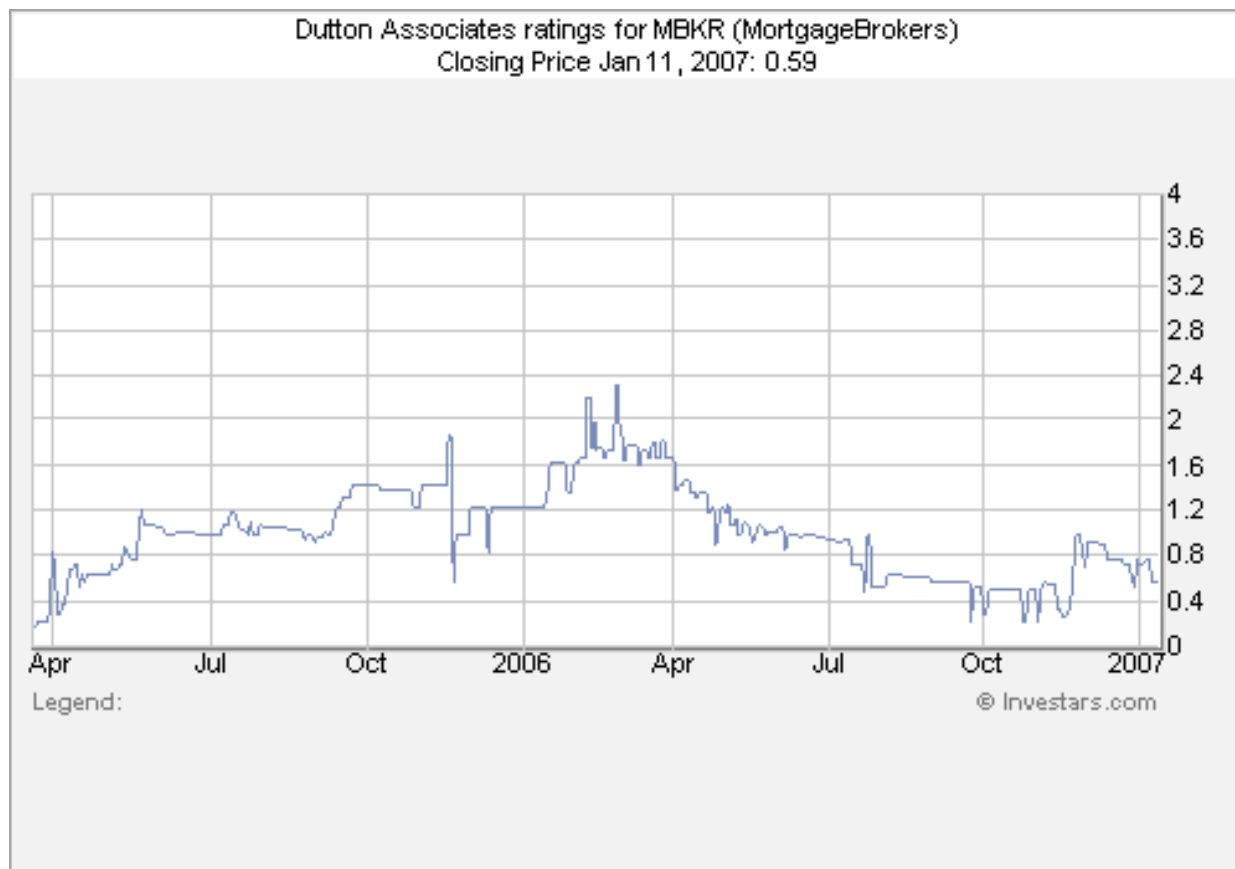
MortgageBrokers.com has executed an impressive fast start out of the gate. The fast rate of ramp-up in revenue should be increasing as the new mortgage originators from the recent partnerships begin working through the MortgageBrokers.com system. When valuing and assigning an investment rating of the relatively new enterprise of MortgageBrokers.com, we have looked at several factors:

- Basic business concept – MortgageBrokers.com’s strategy to capitalize on the consolidation of SME mortgage brokers by offering a program that is a money making solution for both MortgageBrokers.com and the new associates, is a strategy that is already proving its worth.
- The establishment of a cadre of partners for sources of mortgage originations and sources of capital is well on its way to fruition.
- The building of a team of experienced mortgage executives is also on track.
- The attention to financial details by MortgageBrokers.com is also evident, even with only less than two years of experience.

- The computer based software system eXimus™ adds to the future cost savings for both originators and MortgageBrokers.com.
- The ability to execute is a key factor to consider in establishing a rating, and thus far in the initial 22 months of its business life, MortgageBrokers.com has shown the ability to execute its business plan.
- The management of MortgageBrokers.com is an experienced team of senior managers with many years of experience in the mortgage business. The actions of Mr. Alex Haditaghi, who is the driving force behind the progress of the Company, especially impress us. The fact that he has loaned money to the Company and is making his personal stock available for acquisitions and the future exercise of warrants, speaks volumes to his personal commitment to MortgageBrokers.com.

MortgageBrokers.com has exhibited the attributes of an attractive investment vehicle for capital appreciation; however, a negative aspect for MortgageBrokers.com is its current listing on the OTC Bulletin Board and the lack of visible trade and volume information. During the month of November, MortgageBrokers.com traded 177,995 shares, for an average daily volume of approximately 10,000 shares per day. In November, there were seven market makers in MortgageBrokers.com, with the largest market maker trading 35% of the volume, the second largest trading 33%, the third and fourth market makers trading approximately 11% of the volume, and the remaining three market makers trading 19% of the volume. The market makers increased to 15 in the month of December 2006. It is estimated that the public float available for the trading of MortgageBrokers.com is approximately 6 million shares.

Taking all this into consideration, our initial rating for MortgageBrokers.com is a **Strong Speculative Buy** and we are assigning a 12-month price target of \$1.50 per share. At that price, MortgageBrokers.com would be selling at a 2.5 Market Cap to projected 2007 revenue and a 7.5 price earnings ratio, based on our projected FY 2007 EPS of \$0.20 per share.



<b>Dutton Associates</b>	
<b>Current Ratings Distribution</b>	
<b>Rating</b>	<b>% Total</b>
Not rated	0.71
Strong Buy	11.43
Buy	9.29
Strong Speculative Buy	31.43
Speculative Buy	26.43
Neutral	18.57
Avoid	2.14

**Analyst: Richard W. West, CFA**

Richard W. West, CFA, has a range of experience extending over 40 years in securities analysis and investment management. Following three years as a broker with Stein Bros. & Boyce, he moved into investment management and research in the early 1970s with Delaware Management and, from 1974–1983, with Brittingham, Inc., where his responsibilities included management of the U.S. portfolio of the Nobel Foundation, one of the premier growth portfolios of its time. Mr. West formed an investment management and research firm in the mid-1980s specializing in small-cap growth stock analysis and investment publishing, following which he served as research director with Gaines Berland, an investment firm specializing primarily in growth stocks and special situations. He has been independently engaged since 1998 in corporate finance and private research activities. Mr. West is a graduate of the Wharton School, University of Pennsylvania (1960), served four years (1954–58) as a Navy pilot, and remains active as a pilot and Master Swimmer.

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**Analyst Certification:**

I, Richard W. West, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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