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March 19, 2009



The new way to do real estate!

OTCBB: WBDG

Industry: Business Software and Services

Risk Level: Speculative

Valuation - Sensitivity Analysis Based on the Number of Closed Real Estate Transactions per Year

Number of Transactions Closed per Year	EPS Estimate	P/E Multiple	Future Value
1,000	\$0.03	25	\$0.75
5,000	\$0.21	25	\$5.25

Note: See pages 8 & 9 for detailed information.

Statistics	
03/18/09 Closing Price	\$0.32
Coverage Initiation Price	\$0.32
52 Week High	\$1.01
52 Week Low	\$0.09
Market Capitalization	\$7.20M
Enterprise Value	\$7.26M
Shares Outstanding	
-Primary (1/31/08)	22,505M
-Fully Diluted (1/31/09)	22,505M
-Float (approximate)	248,000
-10 Day Average Volume	1,000
Balance Sheet Data (1/31/09)	
-Current Assets	\$213,510
-Current Liabilities	\$1,339,637
-Total Assets	\$567,413
-Total Liabilities	\$1,349,054



Source: BigCharts.com

Investment Highlights:

- Webdigs, Inc. is a vertically integrated, web-based real estate services corporation that provides full service, professional real estate brokerage services, mortgage, insurance and title (proposed) to both buyers and sellers of residential real estate for significantly lower costs vis-à-vis traditional (full service) brokers by using an innovative, web-based platform and proprietary technology.
- In 2007, residential real estate sales in the United States totaled over \$1.5 trillion. In 2007 the median price of a single-family home was \$222,273 and the median commission paid to real estate brokers came to \$11,558 (5.2% of gross sale price).
- Using a \$350,000 home as an example, a buyer would make \$4,725 and a seller would save \$8,550 using Webdigs innovative solution.
- In 2007, U.S. consumers paid nearly \$80 billion on real estate broker services. Even if you discounted revenues down 25% from 2007 levels, if non-traditional (online) real estate service providers can capture 5% of the total residential real estate brokerage market it would equate to a \$3 billion opportunity.
- In the Twin Cities metro market alone, the Company estimates that a mere 1% penetration rate would yield \$3.7 million in annual gross revenue.

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I. OVERVIEW

Summary

Webdigs, Inc. (“Webdigs” or “the Company”) is vertically integrated, web-based real estate services corporation. By using an innovative, web-based platform and proprietary technology, the Company provides professional real estate brokerage services to both buyers and sellers of residential real estate for significantly lower costs vis-à-vis traditional full commission brokers. By harnessing the power of the Internet, Webdigs steps above the competition by providing its customers with trained real estate agents and mortgage brokers to help expedite real estate transactions. Webdigs has been operating since 2007 in the Twin-Cities (Minneapolis-St. Paul) metropolitan area and in South Florida since November 2007. The Company intends to expand to other metropolitan areas across the U.S. over the next several years.

The Company launched operations in October 2007 on www.webdigs.com. The Company is headquartered in Minneapolis, Minnesota and its shares trade on the OTC Bulletin Board under the ticker symbol WBDG.

Background

Before the Internet age, real estate agents had fewer resources and the average consumer had even less. Homes were less expensive, and it required more time and energy to sell them. As a result, a 7% commission was deemed to be a reasonable fee for services rendered.

All of that changed with the advent of the Internet. Information that once made realtors a necessity became increasingly more available to the average consumer. As consumers learned to search for homes on their own using the Internet, oftentimes the only perceived value from using a realtor was a listing on the Multiple Listing Service (MLS).

According to the National Association of Realtors (NAR), the percentage of home buyers using the Internet to search for homes increased from 41% in 2001 to 80% in 2007, using the same MLS search capabilities that are available to real estate agents. Typically, consumers only look at 10 to 12 homes. This typically takes no more than 6 hours of time, assuming a factor of 30 minutes per home viewed. This is a fraction of the time that it took prior to the information age. In addition, home sellers can now use the Internet to check home valuations, track the housing market, and research comparable sales information. According to the California Association of Realtors, the percentage of California home sellers using the Internet in the sale process increased from 9% in 2002 to 62% in 2006.

In general, the Internet enables transactions to be performed far more efficiently than in the past, and facilitates automated business processes where information is electronically conveyed and stored, and documents electronically signed and reviewed. All of these developments increase efficiency and reduce the amount of time it takes to process a real estate transaction. Despite these increased efficiencies, consumers have witnessed little if any price relief from the antiquated fixed rate commissions that “full commission” brokers continue to charge.

Webdigs management recognized an opportunity to help homebuyers and sellers save money by combining the power of the Internet with a proprietary software solution. The Company’s site uses the MLS as a database and interfaces with it using its custom-built, proprietary, data mining software to provide innovative home search, purchase and sale capabilities via the web.

Real Estate Boom and Bust

Typically, consumers are not inclined to change the way they live their lives during times of prosperity. During the real estate bubble of 2003-2006, as real estate prices skyrocketed, real estate commissions followed suit. However, real estate investors and speculators alike become less concerned over a 6% or 7% real estate commission as they witnessed their investment properties surge in value at an unprecedented (and as it turns out, unsustainable) rate. As home values plummeted over the last two years amidst an unprecedented set of financial circumstances (including a housing crisis, sub prime mortgage crisis, and credit crunch), consumers were no longer so complacent with respect to fixed rate commissions and increasingly believe that the full commission real estate brokerage model has become expensive and unnecessary in relation to the value it offers.

Given the dour economic conditions, consumers are looking for ways to cut unnecessary and unjustifiable costs from their real estate transactions. The greatest “unnecessary” cost involved with a real estate transaction is the price paid for the real estate agent. Statistics from the National Association of Realtors indicate that over 70% of homebuyers or sellers would not re-hire their prior real estate agent. One of the reasons for consumer dissatisfaction is that commission fees charged by traditional real estate agents, expressed in absolute dollars, have risen in the past years. Traditional commissions vary from market to market, but generally range from 5-6% of the total sales price of the home. Although the average total commission expressed as a percentage of the property being transacted has slowly declined in recent years, the gross dollar amount of the average per-transaction commission has increased as home prices have risen.

In addition to higher commissions, there is an inherent conflict of interest between the broker and the client. Traditionally, real estate agents are paid commissions based on the sales price of the subject property. They do not receive a salary and they do not receive their commissions unless a transaction closes. As a result, their financial interests are not fully aligned with the consumer, as they only receive compensation when and if a property is sold. As a result, it is reasonable to assume that traditional agents place great emphasis on closing transactions and may often encourage their clients to accept offers even when it may be in a selling client’s best interest to hold out for a better price.

Webdigs Solution

Webdigs offers full service real estate solutions for a fraction of the price of traditional brokerage companies. While the old model involved fixed rate commissions, the new web based model charges users a flat fee, along with an array of “fee for service” offerings. The consumer is able to choose the program that he/she prefers.

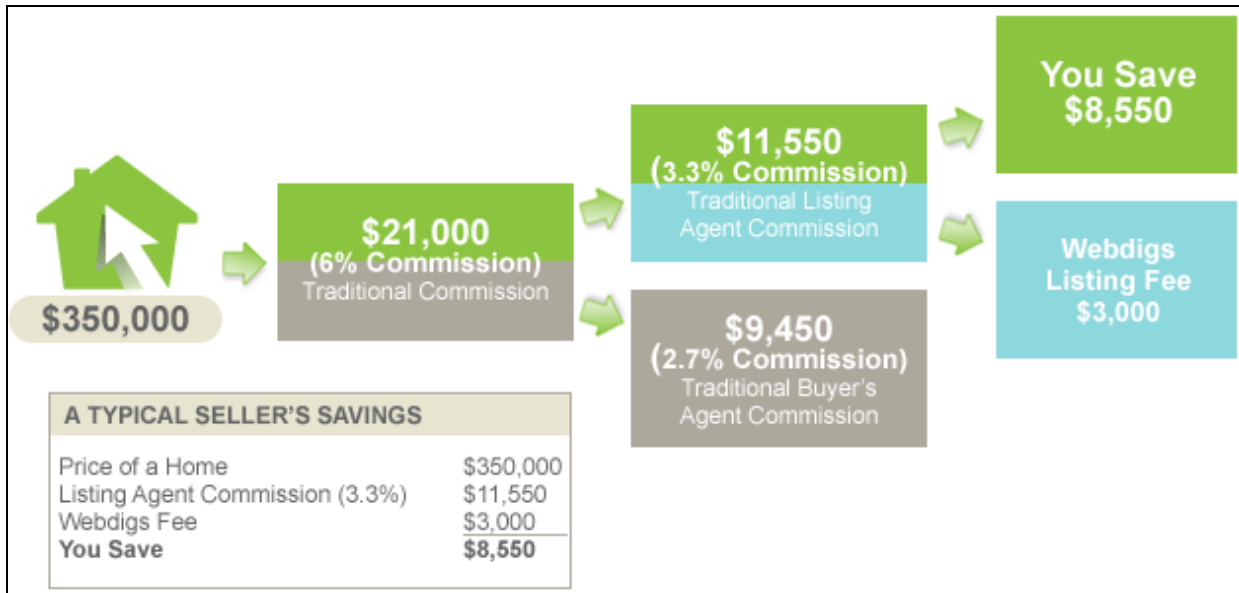
Although the fee is discounted, the service is not. Unlike For Sale By Owner (FSBO) operators where the customers is not provided with professional assistance, Webdigs assigns each of its customers (both buyers and sellers) with a licensed, professional Webdigs agent/associate. Webdigs also offers every customer its 24/7 call concierge support, a la carte services including virtual tours/professional photography, open houses, broker opens, staging, etc., as well as wizards for creating listings, purchase agreements, mortgage applications and pre-qualifying.

In most real estate transactions, there are two brokers involved: a seller’s broker and a buyer’s broker. Both brokers are represented by agents, who work directly with the clients. As payment for listing a home, the seller’s broker charges a commission, which is usually 6% of the total sale price of the home. The seller’s broker then splits the commission between the two brokerages; the seller’s broker typically keeps 3.3% of the price of the home and the buyer’s broker is given 2.7%.

The following example assumes the sale of a home for \$350,000. The typical 6% commission is \$21,000. Of that \$21,000, the seller's broker retains \$11,550 and the buyer's broker receives \$9,450.

For Sellers

For consumers putting a house on the market, under the Webdigs model, he/she will pay \$3,000 plus 2.7% paid to the buyer's broker. This is paid at closing and only if his/her home sells. **In the example below, the savings to the seller is \$8,550** and the home is listed until it sells.



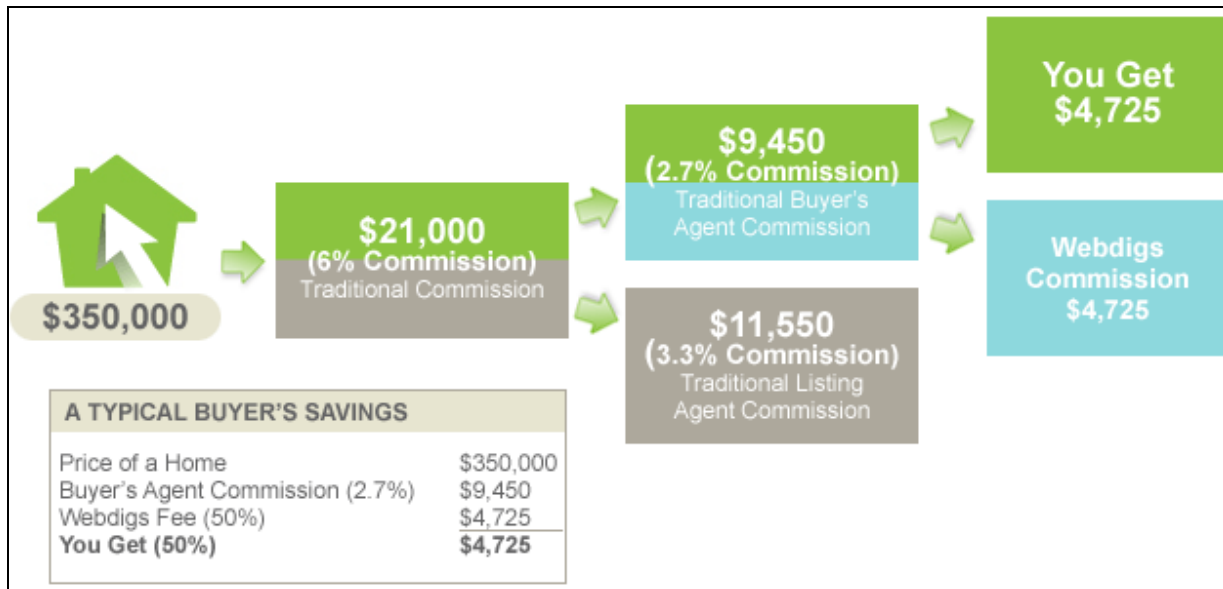
For this fee, the seller will receive:

- Home appraisal – CMA.
- Home inspections (optional).
- 24 x 7 call center support.
- Professional photographer will shoot the home complete with virtual tour.
- Sign with 24 hour pre-recorded information & brochure box, lock box, and home listing packet.
- Sellers' disclosures will be available online.
- Automated showing desk will handle all showing requests and feedback distribution.
- Each seller will be given the in-home buyer survey. It consists of ten questions that can be left after each showing.
- Webdigs will facilitate paperwork and the negotiation process.

Webdigs cooperates with all other brokers by paying the standard 2.7% .

For Buyers

For consumers looking to buy a house, under the Webdigs model, a consumer receives one-half of buyer's broker commission back when he/she works with a Webdigs agent. Using the same example from the previous page, Webdigs would receive the \$9,450 commission from the seller's broker, retain 50% of it or \$3,000, whichever is greater, and then reward the customer with the rest. **In this example, the buyer would receive \$4,725 after closing.**



Weak Economy and Housing Market = Opportunity

The real estate business, like all other businesses, has suffered from the weak macroeconomic conditions. However, this environment has also created some unique opportunities for prospective buyers. For example, buyers also have a large inventory from which to choose, which gives buyers more choices and drives down the prices. As a result, affordability has never been better. According to the National Association of Realtors' housing affordability index, homes were more affordable in December of 2008 than at any other point since the group started the index in 1970. The affordability index is a measure of the relationship between home prices, mortgage interest rates and family income.

In addition, mortgage rates are historically low. Earlier this year, rates on the popular 30-year fixed-rate mortgage hit a level not seen in decades, and rates have stayed relatively near that low for weeks. Recently, the 30-year fixed-rate mortgage averaged 5% or less, according to Freddie Mac's weekly mortgage survey.

Congress' economic stimulus plan includes a non-refundable, federal tax credit of \$8,000 for home buyers who haven't owned a home in at least three years. This credit, along with other elements of the stimulus plan that assist homeowners facing foreclosure or owing more than the value of their home should help halt the decline in real estate values that has hampered the residential real estate market over the last 18 months.

Despite the support provided by the federal government to date, there remains a clamor for more action by the government. The National Home Builders Association continues to push an even lower, 30 year

fixed rate mortgage. And both NAHB and the National Association of Realtors want the stimulus plan tax credit to help all buyers, not only those who are becoming homeowners for the first time.

In summary, although times are challenging, there are plenty of reasons to be optimistic about the future. This may be the perfect time for a new, more consumer friendly, affordable real estate brokerage model.

Opportunity

Over the past decade, the world has witnessed a revolution in the way that people across the globe exchange information and conduct commerce. The Internet makes information accessible to everyone, allowing for disintermediation and increased transaction efficiency. In other words, when the “middle man” (e.g. brick and mortar retailer or full service brokerage firm) is removed from the commerce equation, products and services become significantly less expensive for the end user. As a result, websites like EBay have given consumers the ability to buy and sell anything from DVDs to airplanes with the click of a mouse.

Billions of dollars worth of public securities now trade over the Internet on sites such as Scottrade and Charles Schwab for a fraction of the cost of traditional full service brokerage commissions (e.g. Smith Barney). Historically, full service brokerage firms with bundled offerings of research services and trade execution would charge customers one large fee per trade. Under the new paradigm, online sites “unwrap” these distinct services, allowing consumers to conduct their own research and pay only for the

	WebDigs	Full Commission Broker/Agent	For Sale by Owner-Assisted
Buyer rewards	YES	NO	NO
Sellers save	YES	NO	YES
Complete web resource	YES	NO	Not Often
Qualify for mortgage online	YES	NO	NO
Online access to area real estate listings	YES	Mostly	Not Often
Custom in-depth WebDigs home search	YES	NO	NO
Instant emial notifications	YES	Sometimes	NO
Brochure wizard	YES	NO	NO
Full service agents	YES	Sometimes	NO
Professional sign	YES	Sometimes	Not Often
24/7 concierge call service	YES	NO	NO
Professionally trained WebDigs agents	YES	NO	NO
More resources and better service for less	YES	NO	NO
Web Wizards make buying or selling a snap	YES	NO	NO
State-of-the-art mapping	YES	NO	NO
Welcome basket	YES	NO	NO
1-800 number for all listings	YES	NO	NO
Personal home page for sellers	YES	NO	NO
Personal home page for buyers	YES	NO	NO

services they really need – trade execution. Retail brokerage represents one of the most successful applications of e-commerce; for instance, the number of online accounts grew from 7 million in 1998 to over 31 million in 2003, with online brokers responsible for 28% of U.S. retail trades in 2002¹. While there will always be a place for full service stockbrokers and brick and mortar retailers, this trend to the Internet continues to accelerate and is already touching every industry in the world.

Traditionally, people have bought and sold real estate property using full service real estate brokers and sales agents, located in brick and mortar office buildings, and listing their properties for sale on the MLS. Although this model will always exist to some extent, the information age has given 21st century consumers a web-based real estate transaction model alternative. Similar to the independence and low cost structure offered by the online financial services model, consumers can easily search (online) for homes and conduct real estate transactions for one low flat fee.

¹ NYU Stern Business School article titled “The Impact of E-Commerce on Competition in the Retail Brokerage Industry” published in May 2005

In 2007, residential real estate sales in the United States totaled over \$1.5 trillion. According to the U.S. Department of Justice, in 2007 the median price of a single-family home was \$222,273 and the median commission paid to real estate brokers came to \$11,558 (5.2% of gross sale price). In total, U.S. consumers paid nearly \$80 billion on real estate broker services. Even if you discounted revenues down 25% from 2007 levels, if online real estate service providers can capture 10% of the total residential real estate brokerage market, that would equate to a \$3 billion opportunity.

Financial Metrics

Due to the limited operating history of the business, we have decided to provide the financial metrics along with a sensitivity analysis which shows revenue and earnings results based on a number of possible scenarios instead of offering specific revenue and earnings projections. We believe that a sensitivity analysis is the most appropriate way to provide guidance with respect to the Company's financial prospects.

The following chart shows revenue projections for the existing company (Webdigs).

Webdigs Financial markets and Sensitivity Analysis				
Comparative analysis of varying real estate transaction volumes				
	Average per transaction	Number of Annual Real Estate Transactions		
		500	1,000	5,000
Revenues				
Real Estate Brokerage				
Buyers				
Transactions		367	724	3,670
Revenue	\$ 3,800 (1)	1,394,600	2,751,200	13,946,000
Listings				
Transactions		133	276	1,330
Revenue	3,295 (1)	438,235	909,420	4,382,350
Subtotal real estate				
Transactions		500	1,000	5,000
Revenue	3,666	1,832,835	3,660,620	18,328,350
Title Insurance (TI)				
% of buyers using Webdigs TI	80%	80%	80%	80%
Transactions		294	579	2,936
Revenue	800	235,200	463,200	2,348,800
Insurance				
% of buyers using Webdigs Insurance	80%	80%	80%	80%
Transactions		294	579	2,936
Revenue	\$ 32	9,408	18,528	93,952
Total Revenues		2,077,443	4,142,348	20,771,102

(1) Buyers average fee per transaction \$3,800 is calculated based on the Company's average deal size of \$260,000 ($\$260,000 \times 0.027 = \$7,020$ divided by 2 is \$3,510 plus \$295 admin fee is \$3,805) and listing average fee is calculated to be \$3,295 ($\$3,000 + \295 admin fee).

* To put these volume figures in perspective, in South Florida, one of the worst real estate markets in the country, the average real estate brokerage company is currently closing between 2 and 10 deals per broker per year depending on the type of loan and local demographics, so a company with 20 brokers will close between 40 and 200 deals. In past years, this range was closer to 15-30 per year.

The chart below shows the earnings projections based on the different volume scenarios considered in the previous chart along with certain assumptions with regards to variable compensation as a percentage of revenues and operating expense margins.

Webdigs Financial markets and Sensitivity Analysis				
Comparative analysis of varying real estate transaction volumes				
		Number of Annual Real Estate Transactions		
		500	1,000	5,000
Total Revenues		2,077,443	4,142,348	20,771,102
Variable Expenses				
		51%	47%	44%
Real Estate Brokerage		934,746	1,720,491	8,064,474
Title Insurance (TI)		119,952	217,704	1,033,472
Insurance		4,798	8,708	41,339
Subtotal variable expenses		1,059,496	1,946,903	9,139,285
		51%	47%	44%
Gross margin		1,017,947	2,195,445	11,631,817
		49%	53%	56%
Fixed Expenses		1,044,441	1,756,813	6,605,774
		50%	42%	32%
Marketplace Home Mortgage Webdigs, LLC				
Joint Venture				
Average conversion rate of buyers	70%	70%	70%	70%
Number of closings		257	507	2,569
Revenue per transaction	\$ 500			
Revenue		128,500	253,500	1,284,500
Net income before taxes		102,006	692,132	6,310,543
Income tax (1)		0	0	1,465,585
Net income		102,006	692,132	4,844,958
Diluted shares outstanding		23,500,000	23,500,000	23,500,000
Earnings per diluted share		0.00	0.03	0.21
Notes				
(1) Company has approx \$2 million net operating loss carryforward that will be used with future profits. For that reason, we assume that there will be no income tax liability on the 500 and 1,000 transaction scenarios. The \$2 million tax loss carryforward will reduce taxable income by \$2 million in the scenario involving 5,000 annual transactions.				

Valuation

To estimate a value for shares of Webdigs, focused on organic growth expectations excluding any accretive impact from future acquisitions.

Taking our EPS estimates from the sensitivity analysis on the previous page, if the Company is able to close at least 1,000 transactions per year, the valuation, using a 25x P/E multiple, would be approximately \$0.75 per share (not discounted to present). Holding everything else constant, if Webdigs closes 5,000 transactions, our valuation estimate would increase by more than 600% to \$5.25 per share.

Valuation - Sensitivity Analysis Based on the Number of Closed Real Estate Transactions per Year			
Number of Transactions Closed per Year	EPS Estimate	P/E Multiple	Future Value
1,000	\$0.03	25	\$0.75
5,000	\$0.21	25	\$5.25
<i>Note: See pages 8 & 9 for detailed information.</i>			

We readily concede that it is unrealistic to accurately predict how many transactions Webdigs will actually close at this stage. However, recent trends have been encouraging. During their first year of operations they sold 120 homes. Despite the previously discussed difficult economic times, period over period growth in the U.S. has remained positive. Webdigs management expects the Company to more than triple the number of real estate transactions in the current fiscal year ending October 31, 2009.

II. PRODUCTS and SERVICES

Overview

For Home Buyers

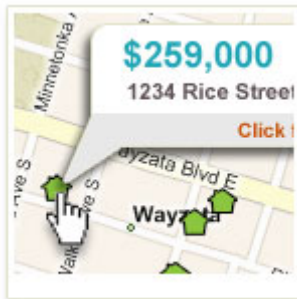
The Company provides homebuyers with a broad range of services. Through its website, customers can search Webdigs' database of MLS listings, view open house schedules, and schedule home visits. When the customer is ready to make a purchase offer, he/she submits the terms of the offer through the website or directly to one of the Company's agents. The agent then calls the seller or the sellers' agent to discuss the offer and prepares the offer documents. The agent presents the buyer's offer to the listing agent and a series of negotiations and counteroffers often ensues. The Company's agents support the buyer at each step of the negotiating process until the purchase contract is signed.

After a contract is accepted, the licensed agent works closely with the buyer through the contingency period, when the buyer has a home inspection and arranges home financing, insurance and title/closing services. After a closing, Webdigs pays its clients by check within 14 days. The payments, characterized as rebates of sales commissions, are generally one-half of the commission it receives from a transaction.

During the past year, the Company's home buying customers have:

- Submitted to us more than 2,000 requests for us to schedule a personal visit of a property;
- Submitted to us more than 350 requests to prepare purchase offers;
- Had over 160 accepted offers to purchase properties, and
- Closed over 120 purchases of properties.

THE BUYING PROCESS



1. Find homes you like



2. Tour your favorites



3. Begin your offer



4. Webdigs presents and negotiates on your behalf



5. Close the deal

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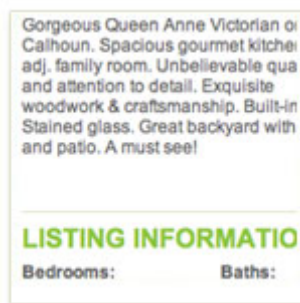
For Home Sellers

The Company provides its home-selling customers with their local MLS listings for a flat fee of \$3,000 plus 2.7%, both paid at closing. A traditional listing (selling) broker charges 3.3% of final sale price as their fee for representing a seller. Assuming a home price of \$350,000, a Webdigs listing customer may save approximately \$8,550 on his/her home sale by using Webdigs as their broker. Instead of paying a broker 3.3% of the \$350,000 sale price (\$11,550), the seller would pay Webdigs \$3,000. The savings of \$8,550 belongs to the Webdigs customer.

In addition to providing home sellers with a home listing, Webdigs arranges for Obeo² virtual home tours of its sellers' homes so that the resulting virtual tour may become a part of the listing on Webdigs' website and all multiple listing services. To assist with the pricing of a seller's home, The Company provides a comparative market analysis to the seller and individual consultation on pricing strategies. Finally, the Company also provides a range of individual strategies for readying a seller's home for sale, including appropriately staging the home. All of these sell-side services are furthered by the Company's marketing and advertising campaign designed to drive traffic to our website.

Since April 1, 2008, the Company's home selling clients have listed over 100 homes.

THE SELLING PROCESS



1. List your home



2. Market your home



2. Home tours and open houses



4. Webdigs takes offers and negotiates on your behalf



5. Close the deal

The Company also provides services that are complementary to real estate transactions in general, such as mortgage brokerage services and services relating to title, property and casualty insurance, including homeowner's insurance.

² Obeo is a company that offers solutions (e.g. virtual tours) for consumers searching for real estate online.

Mortgage Business

In order to offer its customers mortgage brokerage services, Webdigs recently entered into a joint venture arrangement with Marketplace Home Mortgage, LLC to form Marketplace Home Mortgage Webdigs, LLC.³ This new venture combines the Company's powerful lead generation potential with the mortgage brokerage capacity offered by Marketplace Home Mortgage. Through the 24 hour underwriting, full array of mortgage products, including FHA loans, and efficient, well developed processing and administrative practices that Webdigs' partner Marketplace Home Mortgage has to offer, the Company believes that its ability to attract Webdigs real estate clients will be vastly improved over its previous mortgage offerings.

Marketplace Home Mortgage Webdigs, LLC employs three mortgage loan officers who obtain mortgages for customers who are refinancing existing mortgages or obtaining new mortgages because of the purchase of a new home or the addition of a second mortgage to an already existing mortgage. The joint venture bears no risk of loan default nor determines loan eligibility. All mortgage fee income is paid by the loan underwriter (typically a large bank) to the joint venture for finding the customer and processing the paperwork for the loan. Webdigs decided to incorporate the mortgage brokerage business in order to generate mortgage fee income and to make the administration of the entire home-buying process less time consuming than that ordinarily involved with traditional full-fee real estate and mortgage brokers.

There are two types of fees paid by banks to Marketplace Home Mortgage Webdigs, LLC for its work as a mortgage broker. The first is loan origination fees, which may be considered as commissions. Typically, loan origination fees are a percentage of the total value of the loan. A second fee source is referred to as "yield spread premium." In certain cases, a mortgage broker might find it possible to increase the interest rate charged on a mortgage above the rate considered acceptable by the bank. In those cases, the bank will pay a second fee "yield spread premium" to the mortgage broker for obtaining a more favorable interest rate for the bank. A 1% to 2% loan origination fee is considered average by the U.S. mortgage industry. Yield spread premiums are also frequently paid by mortgage underwriters. When they are earned, a typical yield spread would range from 0% to 2%.

The Company's mortgage business operates separately from its web based real estate brokerage business. At present, its mortgage business generates more revenue than its real estate brokerage activities. Since inception, it has acted as a mortgage broker in approximately 124 mortgage transactions generating total mortgage fee revenue of \$614,000 as of July 31, 2008. Since the formation of Marketplace Home Mortgage/Webdigs in August 2008, that new Joint Venture has closed 47 loans (through January 2009).

Insurance Business

The Company has a wholly owned subsidiary called Webdigs Insurance Agency, LLC. Webdigs Insurance Agency LLC benefits its customers by providing them with competitive pricing and products from its independent agents who can scour the market for the best deal. The Company writes the complete package of homeowners, auto and related property/casualty insurance products. Packaging of these multiple products results in the best pricing available.

³ Webdigs' ownership stake in the new company is 49%.

Software

Webdigs has developed its own proprietary software, data mining and search engine tools which allows it to interface with the myriad of Multiple Listing Services (MLS). The Company's interface technology is important because there are thousands of MLS's throughout the United States and Canada. For example, the Tampa/St Petersburg, Florida area has a dozen small, independent MLSs associated with its many local realtor associations. Once connected with an MLS, the Company's data mining and search engine software takes the information and processes it into the form which Webdigs customers see on www.webdigs.com. The Company's proprietary software creates the interface with Microsoft Virtual Earth and allows the consumer to view homes on the Webdigs state-of-the-art mapping system. Therefore, the consumer can search by location and on a map. This "location first" process reflects how consumers search for a home – first by location or neighborhood and then by specifics of homes within their target areas.

The screenshot shows the Webdigs website interface. At the top, there is a navigation bar with links for Home, Find, Buy, Sell, My Webdigs, Mortgage, and About Us. Below this is an "Advanced Search" section with a search bar containing "55416" and a "Search" button. To the right of the search bar is a map of St. Louis Park, MN, with green tree icons representing search results. Below the map is a table of search results with columns for ADDRESS, LOCATION, PRICE, BEDS, BATHS, SQFT, OPEN HOUSE, and VIRTUAL TOUR. The table lists several properties in St. Louis Park, MN, with prices ranging from \$198,900 to \$324,900. At the bottom of the page, there are logos for Broker Reciprocity, BBB Online, and Facebook, along with contact information for Wall Street Resources, Inc.

ADDRESS	LOCATION	PRICE	BEDS	BATHS	SQFT	OPEN HOUSE	VIRTUAL TOUR
4145 Yosemite Avenue S	St Louis Park, MN	\$198,900	2	2	155C		
4145 Erbessee Avenue	St Louis Park, MN	\$225,000	2	3	174C		
5310 28th Street W	St Louis Park, MN	\$149,500	2	2	137E		
2718 Colorado Avenue S	St Louis Park, MN	\$224,900	2	1	142E		
4813 40th Street W	St Louis Park, MN	\$253,000	2	1	1211	12:00-2:00pm 2/4	
4730 Parc Commons Driv	St Louis Park, MN	\$489,900	2	3	174E	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$389,900	1	2	142C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$489,900	2	2	170C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$469,900	2	2	170C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$324,900	1	2	112C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$479,900	2	3	171C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$389,900	1	2	112C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$324,900	1	2	112C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$374,900	1	2	142C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$489,900	2	3	175C	12:00-2:00pm 2/5	
4730 Parc Commons Driv	St Louis Park, MN	\$319,900	1	1	112E	12:00-2:00pm 2/5	

III. CORPORATE STRATEGY

Overview

Management's goal is to create a fully integrated, national, web-based real estate brokerage company through internal growth and acquisition. Management believes that the current turmoil in the housing market has created an opportunity to form this national organization which can take advantage of consumers' motivation to save today and to be poised to benefit from the eventual turn-around. Management intends to grow each aspect of its business - real estate, mortgage, insurance – as well as to add others such as title insurance and closing services. This vertical integration of all parts of a real estate transaction will provide the consumer with what they want – one stop shopping.

Initially, the Company is focused on achieving profitability in its current market locations (the Minneapolis-St. Paul metropolitan area and Southwestern Florida) to demonstrate the viability of its business model. Contingent upon meeting certain operational hurdles and access to capital, Webdigs expects to expand its operations to include St. Louis, Dallas, Las Vegas, Denver, Detroit, Boston, New York City, Atlanta, Philadelphia, Phoenix and Scottsdale, Austin, Chicago and portions of Canada.

To achieve these objectives, Webdigs is pursuing the following strategies:

- **Invest in its website interface and technology.**

Webdigs' management believes that its website interface and technology platform will provide the Company with a competitive advantage. Management's goal is to make the interface the most user-friendly and clearly distinguishable from the other websites and Internet tools to which buyers and sellers of homes are accustomed. Management believes that continuing to update and enhance its website and technology will be a key element in increasing traffic and use of its services.

- **Develop an efficient transaction-processing and back-office operation.**

Webdigs' management believes that one important factor in its overall profitability, especially given its discounted commissions and flat-fee model, will be its ability to process high transaction volumes efficiently. Traditional full-fee real estate brokerages typically do not have the volume, expertise or need to have efficient and low-cost administrative operations. Accordingly, Webdigs intends to structure its administrative model to reach outside traditional real estate and utilize transaction processes and computer systems more commonly found in high-volume industries such as banking and insurance.

- **Attain profitability in its current markets.**

There are a number of web-based real estate brokers presently attempting to capitalize on market, demographic, trade/industry and economic changes. The Company believes that none of these businesses have reached sustained profitability needed to validate the discounted web-based real estate brokerage model. Therefore, management believes that an initial critical strategic goal is for Webdigs to attain overall profitability across its two current markets in the Minneapolis-St. Paul metropolitan area and southern Florida. Management believes that profitability—especially sustained profitability—will buoy consumer confidence in its services and lead to further successes.

Sales and Marketing

Webdigs' management has spent considerable attention to building its brand and market awareness with an advertising campaign that uses a mix of media, including the Internet, television, print, radio, direct-mail, outdoor signage and various moveable signage (e.g., branded public buses in the Twin Cities metropolitan area). Management expects to continue this branding effort on a selective and thoughtful basis, with a view towards achieving maximum return for its marketing and advertising dollars and efforts.

The Company's web-based marketing efforts will include:

- Craig's List
- Keywords
- Luxury Home Tour
- Optimization for Search
- RAKE
- MSP
- REALTOR.com
- Links
- City Pages
- Blogs
- Social Networking groups such as Facebook

The Company's print advertising efforts will include:

- Local Community Newspapers (RAKE)
- Lavendar
- Classifieds
- StarTrib
- MSP
- Daily
- MnMo
- Sun/Sailor
- City Pages

The Company will advertise on infomercials and will conduct other sales and marketing activities including:

- Welcome Wagon Basket of Partner Gift Cards
- "FOR SALE" Lawn Signs — Custom signs in the shape of the webdigs logo icon
- Outdoor Signs Rotation
- Buses wrapped with webdigs
- FOX

IV. INDUSTRY ANALYSIS

Overview

In 2007, total sales volume from resale residential real estate transactions approximated \$1.5 trillion with an average sales price of \$222,273. In total U.S. consumers paid nearly \$80 billion on real estate brokerage services. NRT⁴ ranked as the top residential real estate brokerage company in the nation, with 326,323 total transaction sides and \$174.2 billion in transaction volume. This represents approximately 2.9% (326,323/11.3 million) of all transaction sides for resale homes, based on a National Association of Realtors (NAR) report of 5.65 million total sales of resale homes and 11.3 million transaction sides in 2007. NRT's sales volume represents approximately 11.6% (\$174.2 billion/\$1.5 trillion) of the total sales volume for resale homes in 2007.

The following chart lists the largest 20 brokers by sales volume in descending order.

REAL Trends 500, largest brokers ranked by sales volume in 2007

	Company	Sales Volume (\$million)
1	NRT LLC	\$174,200
2	Home Services of America Inc.	\$50,047
3	The Long & Foster Companies Inc.	\$33,962
4	Prudential Douglas Elliman Real Estate	\$13,910
5	GMAC Real Estate Owned Operations	\$13,168
6	Prudential Fox & Roach Realtors	\$10,351
7	Alain Pinel Realtors	\$7,183
8	John L. Scott Real Estate	\$6,914
9	Coldwell Banker United, Realtors	\$6,127
10	Coldwell Banker Bain Assoc./Barbara Sue Seal Properties	\$6,101
11	Allen Tate Company	\$5,554
12	William Raveis Real Estate	\$5,500
13	Prudential Connecticut Realty	\$5,082
14	Hanna Holdings Inc.	\$5,067
15	Crye-Leike Realtors	\$5,012
16	First Team Real Estate	\$4,809
17	Ebby Halliday, Realtors	\$4,802
18	Baird & Warner Inc.	\$4,700
19	ZipRealty	\$4,616
20	RE/MAX Equity Group Inc.	\$4,444

Of the top-500 companies in transaction sides, 35 are based in California, 33 in Illinois, 30 in Florida, 27 in Pennsylvania, 26 in Colorado and 24 in Michigan.

⁴ NRT oversees company-owned real estate operations for Realogy, which is a major franchiser of brands including Century 21, Coldwell Banker, ERA Real Estate and Sotheby's International Realty

The following chart lists the largest brokers by transactions sides in descending order:

REAL Trends 500, largest brokers ranked by transaction sides in 2007

	Company	Transaction sides
1	NRT LLC	326,323
2	Home Services of America Inc.	152,826
3	The Long & Foster Companies Inc.	86,574
4	Crye-Leike Realtors	28,849
5	Coldwell Banker United, Realtors	27,953
6	Prudential Fox & Roach Realtors	26,766
7	Hanna Holdings Inc.	26,545
8	Allen Tate Company	23,007
9	RealtyUSA	20,690
10	GMAC Real Estate - Company Owned Operations	19,844
11	Ebby Halliday, Realtors	17,654
12	John L. Scott Real Estate	17,381
13	Keller Williams Realty	15,964
14	Realty Executives, Phoenix	14,020
15	ZipRealty	13,962
16	Real Estate One	13,891
17	RE/MAX Greater Atlanta	13,876
18	Prudential Douglas Elliman Real Estate	13,781
19	RE/MAX Equity Group Inc.	13,462
20	Baird & Warner Inc.	13,133

Competition

There is significant competition in the residential real estate market. The Company faces the greatest competition from thousands of traditional full commission real estate brokerages and agents. According to a Workshop panelist⁵, there are approximately 98,000 brokerage firms operating over 200,000 local offices in the U.S. These offices provide potential employment for approximately 2.5 million real estate licensees. In 2004, 96% of brokerage offices in the U.S. employed ten or fewer agents.

The following chart highlights some of the important differences between the Webdigs model and more conventional real estate service models.

Service Comparison Chart			
	WebDigs	Full Commission Broker/Agent	For Sale by Owner-Assisted
Buyer rewards	YES	NO	NO
Sellers save	YES	NO	YES
Complete web resource	YES	NO	Not Often
Qualify for mortgage online	YES	NO	NO
Online access to area real estate listings	YES	Mostly	Not Often
Custom in-depth WebDigs home search	YES	NO	NO
Instant email notifications	YES	Sometimes	NO
Brochure wizard	YES	NO	NO
Full service agents	YES	Sometimes	NO
Professional sign	YES	Sometimes	Not Often
24/7 concierge call service	YES	NO	NO
Professionally trained WebDigs agents	YES	NO	NO
More resources and better service for less	YES	NO	NO
Web Wizards make buying or selling a snap	YES	NO	NO
State-of-the-art mapping	YES	NO	NO
Welcome basket	YES	NO	NO
1-800 number for all listings	YES	NO	NO
Personal home page for sellers	YES	NO	NO
Personal home page for buyers	YES	NO	NO

Competition among brokers is primarily local because real estate is fixed in a geographic location, and buyers and sellers often want some face-to-face interaction with a broker who has experience and expertise relevant to that particular location. There is conflicting information regarding the percentage of home sales nationwide accounted for by the largest real estate firms. NAR reported that in 2004 the top ten brokerage firms in the U.S. had a combined 9.1% market share, the top twenty firms had a 10.9% share, the top 100 firms had a 17% share, and the top 500 firms had a 26.6% share. In addition, according to NAR, the two largest brokerage firms in the industry had only 4.1% and 1.7% market shares, respectively.

The market shares reported by NAR appear to be based on the nationwide shares of individual brokerage firms, most of which do not have a nationwide presence. However, in many cases, individual brokerage firms exist under common ownership or as part of a franchise system. For example, Realogy – through

⁵ U.S. Department of Justice article titled “Competition in the Real Estate Brokerage Industry” dated April 2007

its franchises and wholly-owned brokerages – claims to have “participated in approximately one of every four domestic homes sold through a brokerage in 2005.”

In any case, competition among brokerages tends to be local, and brokerage shares calculated at the local level can be far higher than those suggested by national data. In a study of the State College, Pennsylvania, area, researchers found that “the largest brokerage firm maintained 31% of the listings and 30% of the sales. The second largest brokerage firm accounted for 22% of the listings and 20% of the sales. Each of the next four largest firms enjoyed less than 10% of the listings and sales.” A study of real estate transactions obtained from the Lincoln, Nebraska, MLS reported that although homes in the sample were listed by fifteen brokerage firms, “two of these firms listed 75% of the properties in the sample, with the remaining listings fairly evenly distributed between the other thirteen firms.”

Types of Competition

Traditional Brokerage Firms

The Company’s primary competition is with traditional brokerage firms, including large national brokerage firms or franchisors, such as Prudential Financial, Inc., RE/MAX International Inc. and Realogy Corporation. The Company competes with these traditional brokers primarily on price, service and the ease of use of its website interface. Although the Company’s commissions are generally lower than these traditional brokers, consumers may be attracted to traditional brokers because they offer or are perceived to offer higher levels of individual attention and service.

Non-traditional brokerage firms

Webdigs competes with non-traditional real estate brokerage firms including ZipRealty, Inc., iNest Realty, Inc. (a subsidiary of IAC/Interactive Corp) and Redfin Corporation. Each one of these competitors pays cash rebates to clients and relies to a large extent on the efficiencies of the Internet. Webdigs competes with these non-traditional brokers primarily on price, service and on the ease of use of its website interface. The Company’s rebates to customers are generally equal to or higher than these non-traditional brokers. For example, ZipRealty and Redfin respectively rebate approximately 20% and 50% of their commission to homebuyers. Webdigs generally rebates one half of its commission to homebuyers. iNest rebates 1% of the home sale price to buyers.

Discount real estate listing firms

Webdigs compete with discount real estate listing services, such as ForSaleByOwner.com and BuyOwner.com. The Company competes with these discount service providers primarily on level of service. Although Webdigs offers traditional services to its clients at a discounted price, highly self-motivated consumers may be attracted to these discount listing services because they are cheaper than Webdigs services. For example, Webdigs currently believes that a consumer can obtain an MLS listing through ForSaleByOwner.com for anywhere from \$90 per month to a \$900 flat fee.

Various online service firms

Webdigs competes or may in the future compete with various online services, including Move, Inc., Zillow.com, HouseValues, Inc., HomeGain.com, Yahoo!, Inc., Google Inc. and Trulia, Inc., that also look to attract and monetize home buyers and sellers using the Internet. For instance, Move, Inc. operates the www.realtor.com website. Move, Inc. is affiliated with National Association of Realtors, the National Association of Home Builders, the Manufactured Housing Institute and hundreds of MLSs, which may

provide Move, Inc. with preferred access to listing information and other competitive advantages. Webdigs compete with these service providers primarily on the basis of service and the ease of use of its website interface.

Home mortgage brokerage firms

Webdigs expects to face significant competition in the home mortgage brokerage industry. In 2004 there were 53,000 mortgage brokerages operating in the U.S. with the ten largest accounting for 37.3% of total loan originations⁶. However, by 2008 there were significantly fewer firms and loan officers. In addition to other mortgage brokerage firms, the Company's mortgage brokerage business competes with consumer finance companies and commercial banks. In this market, the Company expects to compete primarily on the basis of price and service. Although Webdigs management believes that it offers competitive mortgage interest rates, consumers may be attracted to other mortgage brokers or lenders because they offer or are perceived to offer a higher level of service.

New regulations facing the mortgage business have virtually eliminated the proliferation of exotically structured loan products and "no doc" (a.k.a. liar loans) mortgages. These regulations have created a significant barrier-to-entry. In fact, over the last 12-months, the number of mortgage brokers operating across the United States has dropped precipitously⁷.

Competitive Differences

Brokers compete for clients on several dimensions by offering the most attractive service and price combination.

Services

Competition among brokers based on service to consumers includes a wide range of possibilities. Brokers can provide varying degrees of assistance to buyers, such as performing MLS searches for homes for the buyer or allowing a buyer on-line access to MLS data to perform such searches on his own. Brokers can provide varying levels of service to sellers in marketing their homes, such as holding open houses more or less frequently. To facilitate a particular transaction, brokers can help sellers and buyers to varying degrees throughout the entire transaction process: helping the seller set the asking price, guiding buyers when they formulate their offers, providing guidance through the maze of paperwork faced by buyers and sellers and recommending reliable inspectors, lawyers, mortgage brokers, etc. Additionally, brokers expend varying degrees of effort involving a wide range of activity, including marketing their own services to potential buyers and sellers.

Price

Competition among brokers on price primarily occurs through lower commission fees and rebates. In the majority of transactions, the commission fee is determined by multiplying the commission rate negotiated in the listing contract by the home's actual selling price⁸. In other cases, brokers may charge a flat commission fee for certain services or bundles of services. Alternatively, brokers may adopt a

⁶ According to Wholesale Access, an industry research and consulting firm.

⁷ According to management, the number of mortgage brokers in the Twin Cities marketplace has declined from 4,000 to 600 over the last 12 months.

⁸ The evidence indicates that brokerage commission rates are quite uniform within local markets. In most markets, the prevailing rate is between 5% to 7%.

combination of flat fees and a commission rate. Since cooperating brokers do not directly participate in negotiating listing contracts, rebates offer a way for them to compete on price.

For the period 2003-2006, the relative inflexibility of commission rates coupled with rising home prices caused consumers to pay more in commissions, and that if brokers competed more on commission rates, commission fees would be lower. This inflexibility causes many to conclude that the market is not truly competitive and that market forces do not affect commission rates. The American Bankers Association estimated that if the market were competitive, commissions would fall as much as 50%. The NAR disagrees with this conclusion claiming that the industry “resembles a perfectly competitive industry structure with production at the lowest possible cost and consumers benefiting from competitively determined prices.”

The reality lies somewhere in between. Competition has caused commission rates to soften in recent years, coming down from 6% to 4%-5% for the majority of deals. This competition takes the form of traditional firms competing for a smaller number of deals as well as new competition from nontraditional brokers like discount and fee-for-service brokers. Full service brokers competing against limited service firms are forced to reduce their commissions to keep the price-sensitive consumer. In addition, because of consumers’ increasing use of the Internet and the substantial savings that the Internet has brought to consumers across numerous service industries, one could logically conclude that the Internet should also be sharply reducing the costs of providing real estate brokerage services.

The Internet Effect

The impact of the Internet is far greater than any other communicative tool in the history of mankind. Access to the Internet allows people around the world to email, instant message, research an automobile, access a library, blog, purchase or sell stock, buy airline tickets, book a hotel and see the world without even leaving our chairs. It is estimated that over 70% of Americans use the Internet at least once a month, and the average user is online for nearly 12 hours a week. It should come as no surprise that consumers are demanding cost efficient, online real estate services solutions and that companies are being formed to meet this demand.

The following are some additional statistics with respect to the Internet⁹:

- There are more than 142 million active home Internet users in the U.S.
- There are more than 47 million High Speed Internet connections in the U.S.
- E-Commerce accounted for more than \$89 billion in sales.
- 90% of Internet users use a search engine to find information.
- 78% of Internet users research online, a product or service before buying it.

The Company competes with several web-based real estate sales companies. The following is a list of other on-line real estate service companies.

- www.redfin.com
- www.eaglerealty.com
- www.homevalues.com
- www.trulia.com
- www.ziprealty.com
- www.helpusell.com

⁹ According to the Pew Internet and American Life Project and Plunkett Research.

Favorable Tax Treatment for Commission Rebates

Historically, there were questions about how the U.S. Internal Revenue Service (IRS) would treat the 2/3 commission rebates which Webdigs gives to its customers. In March 2007, online real estate broker Redfin Corporation announced a ruling from the IRS that Redfin does not have to issue Form 1099 to customers that receive commission refunds because such amounts generally are not taxable as income.

Prior to Redfin Direct, commission refunds in excess of closing costs were relatively rare, and no ruling existed as to whether such amounts were required to be reported on Form 1099. Accordingly, Redfin petitioned the IRS in November 2006 for a ruling, which Redfin received from the IRS in March 2007. The ruling states that “a payment or credit at closing from [Redfin] represents an adjustment to the purchase price of the home and generally is not includible in a purchaser’s gross income.” In support of its ruling, the IRS cites guidance addressing a non-profit’s down-payment assistance to low-income families buying houses or a manufacturer’s rebate on a car, neither of which are taxable. We believe that this ruling is a positive not just for Redfin, but for the whole online brokerage industry.

Department of Justice Advocates Online Brokerage Model

The Department of Justice’s Antitrust Division is advocating the importance of competition in the real estate brokerage industry for the benefit of consumers. This new competition is taking the form of new innovative business models like Webdigs’ online brokerage model, and new options such as rebates or fee-for service MLS-only packages.

On its webpage http://www.usdoj.gov/atr/public/real_estate/index.htm, the DOJ addresses how new competition can reduce commissions, saving consumers thousands of dollars when buying and selling their homes. We believe that this explicit expression of support by the Department of Justice for a more competitive real estate brokerage business model represents a firm belief in the future potential of the non-conventional real estate brokerage.

V. FINANCIALS

- **Income Statement**
- **Balance Sheet**
- **Cash Flow Statement**
- **Comparisons and Valuation**

Income Statement

Webdigs Income Statement	Three Months Ended	
	January 31,	
	2009	2008
	(unaudited)	(unaudited)
Revenues	\$88,026	\$194,565
less: commissions, rebates, and third party commissions	(\$49,399)	(\$25,274)
Net Revenues	\$38,627	\$169,291
Operating Expenses		
Selling	\$164,415	\$570,184
G&A	\$156,682	\$160,306
Total Operating Expenses	\$321,097	\$730,490
Operating Income (Loss)	(\$282,470)	(\$561,199)
Other income (expense)		
Equity in income from Marketplace Home Mortgage Webdigs, LLC	\$18,853	
Interest expense	(\$37,042)	(\$2,210)
Loss on change in fair value of derivatives and warrants	(\$25,554)	
Total other income (expense)	(\$43,743)	(\$2,210)
Net Income/Loss before taxes	(\$326,213)	(\$563,409)
Income tax provision		
Net Income (Loss)	(\$326,213)	(\$563,409)
Net Income (Loss) per share	(\$0.01)	(\$0.03)
Weighted average common shares	22,504,968	19,279,275

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Consolidated Balance Sheet

	January 31, 2009 (unaudited)	October 31, 2008 (audited)
ASSETS		
Current Assets		
Cash	88,467	37,802
Commissions and fees receivable	8,969	12,467
Prepaid Expenses and deposits	109,885	14,011
Debt issuance costs, net	3,200	
Other current assets	2,989	6,125
Total Current Assets	213,510	70,405
Investment in Marketplace Home Mortgage Webdigs, LLC	21,035	2,182
Office equipment and furniture	26,803	30,202
Intangible Assets, net	306,065	351,430
TOTAL ASSETS	567,413	454,219
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of capital lease obligation	3,917	3,828
Accounts payable	289,691	377,538
Accounts payable - minority shareholder	583,071	550,206
Due to officers	32,108	27,277
Accrued expenses:		
Professional fees	35,000	50,000
Payroll and commissions	40,650	32,269
Lease expense for vacated office space	55,913	55,913
Other	14,217	15,170
Convertible note payable, net of discount	131,933	
Liabilities for warrant to purchase common stock	4,648	
Embedded derivatives of convertible debt instruments	148,489	
Total Current Liabilities	1,339,637	1,112,201
Long Term Liabilities		
Capital lease obligation, less current portion	9,417	10,431
Total Long Term Liabilities	9,417	10,431
Total Liabilities	1,349,054	1,122,632
Stockholders' Equity		
Common Stock	22,740	22,309
Additional paid-in capital	2,214,780	2,002,226
Accumulated deficit	(3,019,161)	(2,692,948)
Total Stockholders' Equity	(781,641)	(668,413)
TOTAL LIABILITIES AND EQUITY	567,413	454,219

Please refer to important disclosures at the end of this report.
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Cash Flow Statement

	Three Months Ended	
	January 31,	
	2009	2008
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net loss	(326,213)	(563,318)
Adjustments		
Depreciation	3,399	7,357
Amortization of intangible assets	45,365	48,792
Amortization of convertible note payable discounts	29,516	
Amortization of debt issuance costs	800	
Loss on change in fair value of derivatives and warrants	25,554	
Equity in the income of Marketplace Home Mortgage Webdigs, LLC	(18,853)	
Share based compensation	65,485	41,727
Common stock issued for services	7,000	
Changes in operating assets and liabilities		
Commissions and fees receivable	3,498	3,520
Prepaid expenses and deposits	24,126	4,754
Other current assets	3,136	(1,478)
Accounts payable	(87,847)	41,721
Accounts payable - minority stockholder	32,865	106,684
Accrued expenses and other liabilities	12,428	(28,542)
Net cash flows provided by operating activities	(179,741)	(338,783)
Cash flows from investing activities		
Purchase of equipment and fixtures	0	(6,814)
Net cash flows used in investing activities	0	(6,814)
Cash flows from financing activities		
Issuance of common stock	500	269,000
Proceeds from issuance of convertible debentures, net	226,000	
Increase (decrease) in due to officers	4,831	(19,552)
Principal payments on capital lease obligations	(925)	(2,156)
Net cash flows provided by financing activities	230,406	247,292
Net increase (decrease) in cash	50,665	(98,305)
Cash, beginning of period	37,802	113,280
Cash, end of period	88,467	14,975

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VI. RISKS

- **Competition Risk**
- **Execution Risk**
- **Financial Risk**
- **Key Management Risk**
- **Micro-capital Investment Risk**
- **Non-Specific Market Risks (Liquidity, trading rules & BD restrictions)**
- **Regulations**
- **Risk Categories**

Competition Risk

The real estate brokerage industry is highly competitive. The Company faces competition from numerous companies engaged in traditional residential real estate brokerage services and several online residential real estate sales companies. Management expects online competition to increase in the future from existing and new competitors. Most of the Company's current and potential competitors have substantially greater financial, marketing and technical resources, as well as significant operating histories. Furthermore, competition may reduce the prices Webdigs is able to charge for its services, thereby potentially lowering revenues and margins, which would have a material adverse effect on the Company's business.

Execution Risk

As with any growing company implementing an accelerated growth plan, Webdigs's ultimate success or failure will depend on management's ability to execute their business plan in an efficient and timely manner.

Financial Risk

The Company is dependent on continued financing due to recurring operating losses. The Company may need to raise additional capital for web site development, sales and marketing, and to fund working capital requirements. Capital may be raised through further sales of equity securities; however, there is no firm commitment to invest in Webdigs at this time. There can be no assurances that the Company will be successful in obtaining debt or equity financing in order to achieve its financial objectives and continue as a going concern; thus investors should have the financial capacity to loss their entire investment.

Key Management Risk

Management skill's and experience is a key determinant of success. Webdigs, like most small companies, is heavily dependent on key management, the loss of any of which could seriously, adversely affect the Company.

Micro-capital Investment Risk

Micro-capital investing involves inherent risk and investors should carefully research any company considered for investment. Micro-capital companies are usually early in their market cycle and vulnerable to significant price volatility.

Non-Specific Market Risks (Liquidity, trading rules & BD restrictions)

Webdigs' common stock is quoted on the Over-the-Counter Bulletin Board ("OTCBB") as such, there is only a limited trading market for its common stock. As a result, the Company's common stock is subject to the penny stock rules by the Securities and Exchange Commission that requires brokers to provide extensive disclosure to its customers prior to executing trades in penny stocks, and as such there may be a reduction in the trading activity of its common stock. As a result, investors may find it difficult to sell their shares of the Company's common stock.

Regulations

The Company is subject to governmental regulation by federal, state and local regulatory authorities with respect to its real estate brokerage and mortgage lending operations. As is standard in the residential real estate brokerage industry, the Company's real estate agents must be licensed. In some states, Webdigs proposed business activities are prohibited and the Company may not operate in those states. Eight states have "minimum service laws" that require realtors to provide a level of service that online real estate businesses typically do not provide. Eleven states prohibit rebates of real estate commissions. Governmental bodies may change the regulatory framework within which WebDigs intend to operate, without providing any recourse for adverse effects that the change may have on the business.

The Company can give no assurance that it will be able to comply with existing laws and regulations, that additional regulations that harm its business will not be adopted, or that the Company will continue to maintain its licenses, approvals or authorizations. WebDigs failure to comply with applicable laws and regulations, or the adoption of new laws and regulations restricting its intended operations, would have a material adverse effect on its business and could cause the Company to cease operations.

Risk Categories

WSR's investment universe revolves around undiscovered emerging growth companies that possess higher risk profiles than established "blue chip" companies. Presently WSR maintains two risk categories including aggressive growth and speculative with the later assigned to higher risk companies.

VII. MANAGEMENT

Officers, Directors and Key Management

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert A. Buntz, Jr.	57	Director, President and CEO
Robert L. Lumpkins	64	Director
Steven Sjoblad	59	Director
Christopher Larson	35	Director
Thomas Meckey	32	Director
Edward Wicker	49	Chief Financial Officer

Robert A. Buntz, Jr., Director, President and Chief Executive Officer

Robert A. Buntz, Jr., has served as a director of the Company, including Webdigs, LLC, since inception in April 2007. Mr. Buntz has been an entrepreneur for more than 30 years and a real estate broker for more than 25. In 1981, Mr. Buntz developed the award-winning Bluefin Bay on Lake Superior, Tofte, Minnesota, and operated the resort until 2007. Mr. Buntz's development company donated the land, time and funding to help create the North Shore Commercial Fishing Museum. Mr. Buntz created and developed one of the first rural affordable housing projects, Tofte Homestead. Mr. Buntz now has more than 25 years of hospitality experience as an owner/operator of destination properties. Mr. Buntz has served on the Board of the Explore Minnesota Tourism Council and the Governor's Tourism Advisory Committee for more than 15 years. Currently, Mr. Buntz is a Board member and past-Chair of the Board of the American Museum of Asmat Art. Mr. Buntz received the Governor's Entrepreneurship Award from Governor Rudy Perpich and the Outstanding Individual in Tourism Award from Governor Jesse Ventura. Mr. Buntz is a graduate of Grinnell College.

Robert L. Lumpkins, Director

Robert L. Lumpkins was appointed as a director of the Company on October 25, 2007. Mr. Lumpkins is currently the Chairman of the Board of The Mosaic Company, a NYSE-listed crop nutrition business with revenues of \$7 billion. Mr. Lumpkins retired in the fall of 2006 as an executive and board member of Cargill Incorporated, a global commodity trading and processing company with over \$70 billion in revenues and 150,000 employees. Mr. Lumpkins served in a variety of financial and general management assignments during his 38 years with Cargill, including Chief Financial Officer (1989-2005) and Vice Chairman (1995-2006). Mr. Lumpkins also serves as a director of Ecolab Inc., and as the chairman of Black River Asset Management LLC (a \$10 billion fixed income-oriented asset management company). Mr. Lumpkins is a trustee of Howard University in Washington, D.C. Mr. Lumpkins is a graduate of the University of Notre Dame and the Stanford Graduate School of Business.

Steven Sjoblad, Director

Steven Sjoblad was appointed as a director of the Company on October 25, 2007. Mr. Sjoblad has more than 35 years of corporate strategy and marketing expertise. Mr. Sjoblad spent 19 years building Fallon McElligott, one of the world's preeminent advertising agencies, where he guided global strategy and marketing programs for industry leaders and has worked in virtually every consumer and business-to-business category. Mr. Sjoblad ran Global Consumer Services for Fair Isaac Corporation (NYSE: FIC), originated the myFICO.com business and ran the Fair Isaac Marketing Services business, transforming it

into a “precision marketing unit.” Additionally, Mr. Sjoblad was a member of the Fair Isaac Executive Committee and held the position of Chief Marketing Officer. Currently, Mr. Sjoblad is the Chairman, CEO of Captira Analytical, a software, data and analytics firm serving the criminal justice vertical market based in Albany, NY. Mr. Sjoblad is also Chairman of uBid.com (UBHI.OB), an online retailer, a Board member of Schwan’s Foods, a \$3.6 Billion international food concern and a founder and Board member of Fluxion, LLC a marketing automation concern.

Christopher Larson, Director

Christopher Larson was appointed as a director of the Company on October 25, 2007. Mr. Larson is a co-founder and has served as Chief Financial Officer of Cash Systems Inc. (AMEX: CKN), a provider of cash access service to the casino industry, from June 1999 to January 2005. In January 2005, Mr. Larson was promoted to Chief Operating Officer of Cash Systems. Mr. Larson has served as a director of Cash Systems since the company went public in October 2001. Mr. Larson is a certified public accountant.

Thomas Meckey, Director

Thomas Meckey was appointed as a director of the Company on October 24, 2007. Mr. Meckey also currently serves as the Vice President of Operations and was a co-founder of Webdigs, LLC. Mr. Meckey has five years of experience in residential real estate and finance. Mr. Meckey’s real estate and finance career includes founding Home Equity Advisors, LLC in 2006, serving as a realtor with Re/Max Results from 2004 to 2007, as serving as a loan officer with Wealthspring Mortgage from 2004 to 2006. Prior to that, Mr. Meckey worked as a software consultant to Ben Nevis, Inc., an account executive at Adaytum Software, and as a consultant with JD Edwards ERP Business Unit, which is a division of Ernst & Young. Mr. Meckey is a graduate of the University of Pittsburgh and holds a degree in Information Sciences.

Edward Wicker, Chief Financial Officer

Edward Wicker has served as the Chief Financial Officer of the Company, including Webdigs, LLC, since September 2007. Mr. Wicker provides a combination of large and small company finance executive experience. Most recently, Mr. Wicker has served as CFO of several start-up companies in the Twin Cities, including Talor Building Systems and Wireless Ronin. Prior to these positions, Mr. Wicker wrapped up a long career at personal care products maker Coty, Inc., where he served in several senior finance executive positions. His final ten years with the company were spent in Europe, where he served as VP of Finance at Spanish and UK subsidiaries, as well as controller of Coty’s global operations division. Prior to Europe, Mr. Wicker served as finance director of Coty’s then sister company—Reckitt Benckiser US Consumer Products Division. Prior to working at Reckitt, Mr. Wicker began his career at Ecolab, where he worked in internal audit and financial analyst positions. Mr. Wicker holds undergraduate and MBA degrees from the University of Minnesota’s Carlson school of management. Mr. Wicker is a CPA.

VIII. CORPORATE OFFICES & ADVISORS

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Analyst Certification:

I, Paul Silver, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers.

About the Analyst:

Mr. Silver joined Wall Street Resources in 2006 as the Director of Research. He has been in the financial services industry since 1995 and began his professional career in auditing with a Big Four accounting firm in New York City. Mr. Silver made the move to Wall Street as a sell-side research analyst for two global investment banks in New York City including Salomon Smith Barney and UBS Paine Webber. At Salomon Smith Barney he was a member of the firm's research team covering REITs that was consistently ranked #1 by Institution Investor magazine. Most recently, Mr. Silver worked for a private equity firm as its Chief Investment Strategist. Mr. Silver is a graduate of the College of William and Mary in Virginia with a BA in liberal arts and New York University's Stern Business School with an MBA in International Finance and Accounting.