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Subject Issuer:

GainClients, Inc.

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Stock Symbol: GCLT

Last Trade Price: \$.12

Approximate Shares Outstanding: 302,427,986 million

Approximate Market Cap: \$36.3 million

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Company Profile

(Preface: portions of this profile include excerpts from company filings or other public collateral; we have denoted these by offsetting the text in *italics*).

GainClients, Inc. (“GCLT”) is a Tucson, Arizona based technology company engaged in providing technology based services to the real estate and ancillary industry markets. The technology it has developed is designed to create measurable efficiencies in the customer acquisition (and retention) side of the business. These services address businesses in multiple aspects of the real estate industry including sales, financing and closing, and are highly scalable creating an opportunity for both rapid growth and extraordinary margins.

The Company was formed in Florida in 2001 and was/is the vision of its founder Raymond Desmond. Mr. Desmond continues to direct the Company from both the board and executive levels and has provided a significant portion of the Company’s capital to this point. Along with GCLT, he also founded NOVA Home Loans in 1980. Today, *“NOVA® Home Loans is licensed as a mortgage bank and currently has 20 offices spread between Arizona, Colorado, Nevada, and Southern California. NOVA® was ranked among the top 100 Mortgage Companies in America in 2013, voted one of the 50 Best Companies to Work for in 2014, and is listed as a Top 1% of Mortgage Originators in America for 2015. NOVA® is the largest privately held mortgage bank in Arizona and employs upwards of 180 loan officers and 750 employees, split between 21 brick and mortar locations.* Mr. Desmond is known for his innovative approaches to the mortgage industry and is regarded by some as the “the pioneer of mortgage brokering”. His knowledge of and experience in the various aspects of the real estate sales and real estate lending industry(s) prompted him to create, fund and develop what is today GainClients, Inc.

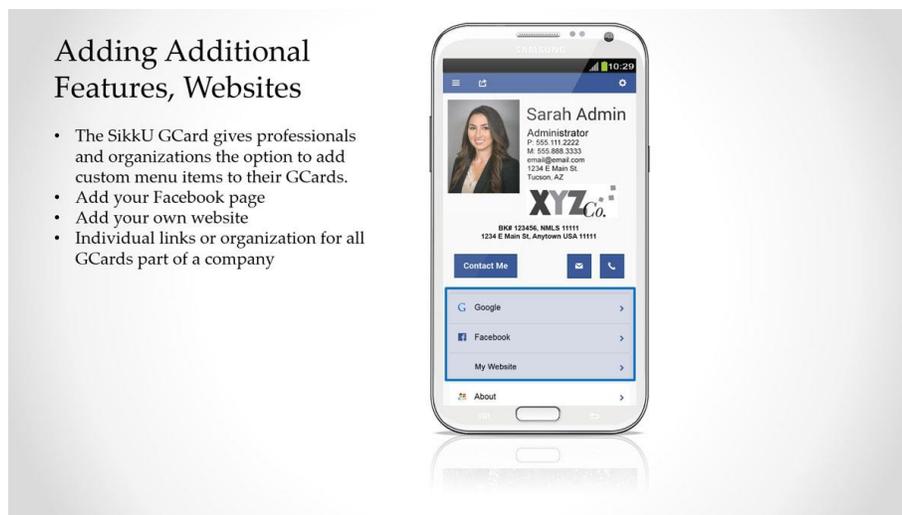
Since its inception, The Company has spent over \$10 million developing the GCLT technology platform, which services both real estate customers and real estate professionals. After a number of stops and starts trying to rationalize and optimize the business and the underlying technology platform, GCLT essentially “re-launched” the service in 2015, and has since been developing relationships with data providers and ultimately with large potential customers to close the loop on that original vision. Those efforts are just beginning to bear fruit via the signing of agreements with a variety of significant provider partners and customers. It is currently in various stages of providing others as well. That being the case, the Company believes it is at the precipice of marked growth in the business as these relationships begin to materialize, and that the visibility of that success will improve significantly over the near and intermediate terms.

Product/Service Overview

GainClients’ services are delivered via a holistic proprietary technology platform. The platform integrates timely external industry data with relationship functionality that allows professionals to network and collaborate with other industry professionals as well as their clients and prospective clients. The technology platform delivers a software service which the Company calls “The GCard”, formally known as SikkU, which is a “virtual business card” that includes web and text functionality on any phone because the technology is web-based. (We have provided some excerpts of some the Company’s collateral to help reference the technology).

- The GCard

As noted, the gateway to the platform is the Company's GCard and it is aptly described by the Company as a "virtual business card" although in this case, virtual would need to include various elements of social media. Again, in the Company's words, *the GCard gives real estate agents, lenders, retailers, title reps, and/or insurance agents the means to provide the information consumers want and need and professionals the ability to network with each other and better serve their clients. When participating, professionals share their clients with each other; relationships become fluid, are virally grown and developed within each team's network.* We view it as a mobile enabled and customizable customer relations manager ("CRM"), supported by other pieces CGI has added (GCHomeSearch for example). We will try to parse that a bit in part through example. (Actually we would add, the Company's website provides some intuitive demos that we found helpful, to view the demos go to (<https://www.sikku.com/Demo>)).



Adding Additional Features, Websites

- The SikkU GCard gives professionals and organizations the option to add custom menu items to their GCards.
- Add your Facebook page
- Add your own website
- Individual links or organization for all GCards part of a company

Once the real estate professional sets up their GCard adding professional contacts, clients and others is relatively simple. A "share" button allows the user to easily send an invite to a contact, which if accepted automatically adds the application to the recipient's phone or device. Consumers for instances can also hit the share button to invite family and friends and they will be connected to the real estate professional who invited them. It becomes viral at that point.

They have built it capabilities to import contacts from existing legacy databases such as Outlook and others as well. The application includes access to variety of industry information such as rate monitors, mortgage calculators and other such tools. The Company has also developed its own online home search site (think Zillow), aptly referred to as GCHomeSearch (see below), which they integrate into the GCard toolset and reporting. This allows a real estate professional to recommend search defined properties for clients (referred to as "Home Scoop™"), push them information from GCHomeSearch and then track the clients' likes/dislikes with respect specific properties. The GCard also provides a weekly score card that summarizes all the professional's activities for the week including interactions with clients (things that need to be followed up on) as well as contacts with other professionals along the industry services chain (lenders, titles reps, etc.). In effect, the GCard provides real estate industry professionals with a single

application that allows them to manage their business and easily communicate with professional partners and clients. In addition, the application can be seamlessly linked to the users' other social media applications such as Facebook, LinkedIn etc.

- **GCHomeSearch/Home Scoop™**

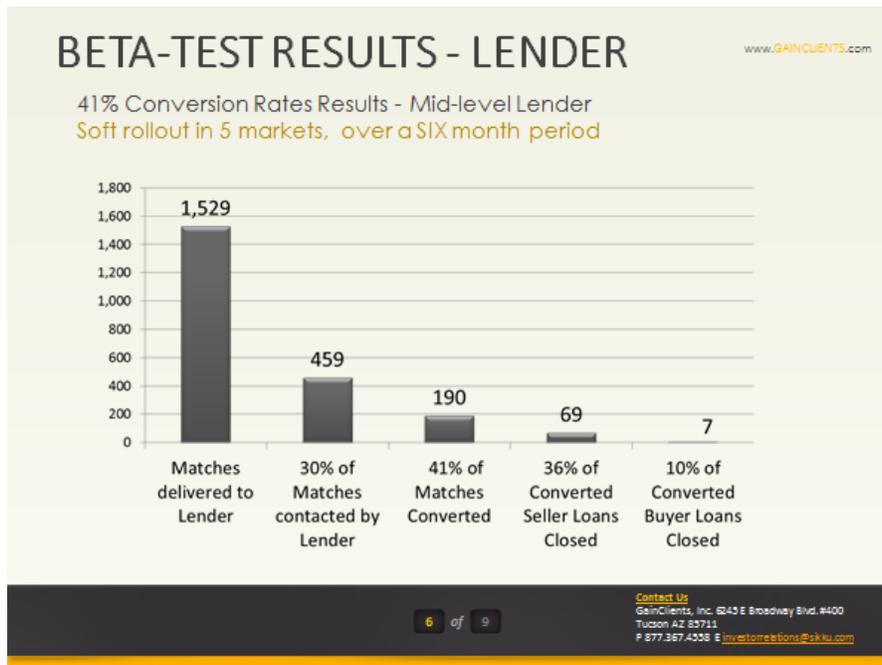
As we noted, GCHomeSearch is a home search portal that allows users to search for listings via specific criteria such as location, price, size etc. and then view the results, which typically include pictures and specific demographic and other associated data. We also alluded to above, there are several sites (Zillow for example) that provide similar information to prospective real estate purchasers, but we think GCHomeSearch's integration into the GCard (via its Home Scoop™ application) markedly enhances the value of the GCard. Just to expand on the notion, Home Scoop™ in conjunction with the GCHomeSearch listing service, allows GCard users to filter and then recommend specific listings to their home-buying customers. Additionally, it allows the professional to track the homebuyer's interest in particular properties in terms of the number of times the customer looked at a specific listing and the time they spent doing so for example. We think that provides GCard professionals with valuable real time information about their clients' preferences.

Keep in mind, GCHomeSearch was just launched in April 2016, and GCLT has spent the months following improving the site, which now has national home search coverage.

- **The Daily Opportunity Service**

Along with the foregoing services, GCLT has also just released its newest offering, the Daily Opportunity Service and has been conducting beta tests of the GCLT ecosystem in terms of its ability to generate and distribute leads to industry professionals. Those tests have largely been conducted via the lender NOVA Home Loans. Recall from above, both GCLT and NOVA were founded by the same person, Raymond Desmond. We think the early results have been quite promising:

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The above-referenced chart is from a recent company PowerPoint presentation, and what it essentially says is with its GCLT proprietary technology, the Daily Opportunity Service/data access, the system was able to create a list of prior clients of the Lender who were selling an existing home. Once the prior client is contacted, the Lender also gains access to potential buyers of the prior client’s home and the listing agent.

By using its technology to mine several industry databases, GCLT is able to deliver “matches” of buyers/sellers to real estate professionals. It is important to note; **GCLT believes that the combination their proprietary technology and their direct access to relevant databases (due to their extensive industry contacts) allows them to deliver these leads days ahead of other listing services etc. They view this ability as unique and highly advantageous in terms of the service’s competitive posture relative to legacy processes in the industry.** This is, in effect, their “secret sauce”. That said, as the chart indicates, GCLT delivered the beta lender 1,529 “matches” consisting of imminent home buyers or sellers in markets relevant to the Lender, resulting in 190 transactions 76 of which are currently closed (the balance are in process to closing). While we will cover some more specific numbers in the Operating Overview section below, but just for the sake of comparison, if GCLT charged the Lender \$40 for each of these leads, they would pay GCLT a total of \$61,160 which would make the cost of customer acquisition (the 190 closed customers) approximately \$322 per loan. Keep in mind, we would suggest that these transactions likely include many customers that the Lender would never have had a chance of closing without GCLT, but that notion aside, we believe the \$322 customer acquisition cost likely compares very favorably to their current cost of acquisition through other marketing mediums.

In addition to the favorable resulting customer acquisition costs, there are some additional variables from the beta that we think are topical. For example, the above chart begs the question “why were 1,070 of the original 1,529 matches never contacted?” We think the answer to that in part (and the data tends to support) is that the Lender’s loan representatives became more comfortable with the leads as the beta moved forward. (Again, it appears that they contacted a larger percentage of the matches in the latter stages of the beta, which might suggest an increased comfort level with the process in general). Secondly, the lender also suggests that during some portion of the period covered by the beta, loan officers were particularly busy with refinance business and may not have had time to follow up with all the matches. Consequently, although perhaps anecdotal, the beta and resulting feedback from the Lender may suggest

that closing rates in a more “normalized” environment could be *significantly* higher than even the favorable results from the beta.

To recap, the above is the basic overview of GCLT’s technology platform, which again, has been a “work-in-progress” for the past decade, but represents a robust communication and ultimately marketing tool for people in the industry. Recognize, they just relaunched The GCard last year, and added GHomeSearch (which we think is integral to the future business plan) over the past few months. In addition, as we understand it, the Company is in various stages of pursuing agreements with significant industry partners to provide their services to. We would suggest that future agreements that might add large numbers of industry professionals to the GCard roles could provide a basis for significantly higher valuations for the Company.

- CLOVIS

Recently, GCLT announced a licensing agreement with CLOVIS, LLC. Along the lines of some of the other types of agreements and affiliations we suggested the company is pursuing, we think this agreement may prove to be watershed event for the Company as well. Essentially, the two companies will be combining some technologies via a license, as well as their respective knowledge bases (CGI in real estate and CLOVIS in technology) to create new approaches to marketing and advertising in the real estate space. While we are not certain just exactly what the collaboration might look like, there are some things that can be gleaned from the CLOVIS licensing news release that may provide some guidance. For example, CLOVIS references its programmatic marketing experience as a positive attribute to the partnership.

Let’s start with the term “programmatic marketing”. Programmatic marketing is a well-recognized term in the online advertising space. The following description(s) from www.stateofdigital.com may be helpful:

“Programmatic media buying, marketing and advertising is the algorithmic purchase and sale of advertising space in real time. During this process, software is used to automate the buying, placement, and optimization of media inventory via a bidding system. Automating the process means that it can be done in real time and doesn’t rely on the human touch, manual insertions and manual trading.

Simply put – programmatic marketing is a way to target what types of audience you wish to show you’re advertising to, which can encompass segments across demographics such as age, gender, social standing, to geographic in certain areas of the country. As with Paid Search you can also limit the ads to times of day and frequency. You can decide which publishers you want your ads to show on. This way you are only paying for highly effective ads, delivered to the right people at the right time. It’s a change from traditional ad buying. No longer a buyer agrees to run a certain number of ads with a publisher and is locked into the contract.

Programmatic media buying allows the “owner/brand” to tailor a specific message and creative to the right person, at the right time in the right context – using audience insight from the brand (the customers you want to target) around the kind of audience they want to target. This methodology should deliver far more precision and personalization of messaging and media, resulting in more efficiently targeted campaigns, and less of the “spray and pray” methodology of digital advertising – which is less targeted and based on sheer volume (mainly of impressions)”.

“Programmatic marketing is automated bidding on advertising inventory in real time, for the opportunity to show an ad to a specific customer, in a specific context”. <http://www.smartinsights.com/internet-advertising/internet-advertising-targeting/what-is-programmatic-marketing/>

Secondly, like “programmatic marketing” the release also alluded to CLOVIS’s past success with “BIG Data”. BIG Data is also an industry term with some relatively specific meaning. Here again, some definition might be helpful (from www.sas.com)

“Big data is a term that describes the large volume of data – both structured and unstructured – that inundates a business on a day-to-day basis. But it’s not the amount of data that’s important. It’s what organizations do with the data that matters. Big data can be analyzed for insights that lead to better decisions and strategic business moves”.

The programmatic marketing piece of this is straightforward. While we are certainly not suggesting that this new partnership will yield the first attempt to apply programmatic marketing to the real estate industry (GCLT is engaged in some of that already), we would suggest that of all the industries out there, the real estate business may be the most conducive to more targeted marketing approaches. That is, buying a home is not exactly an impulse buy, and it is generally the most expensive purchase most people will make in their lifetime. As a result, the fees paid to professionals servicing the space tend to be significant (based on some percentage of the transaction value), which in turn makes the identification of bona fide leads (people who are actively entering or exiting the market for a home) a valuable endeavor.

The BIG Data reference may be a bit less intuitive, but we think it provides visibility as well. As we illustrated above, there are two primary pieces to the CGI technology platform. The GCard is a platform to aggregate professionals by providing them with mobile tools to manage, monitor and market their businesses. GCLT, is actively seeking (and as we understand it adding) professional organizations that may greatly expand the number of GCard users. At the same time, the addition of GCHomeSearch provides the entire ecosystem with the listing/home inventory that drives the industry. We think the approach here is to use the BIG Data aptitudes to quickly assimilate industry data (MLS listings for example) from a variety of sources, and structure it for immediate delivery to the ecosystem. We also believe that approach will likely transform the business plan. Our sense is that the current subscription model will likely transition to the programmatic marketing approach alluded to above. We would envision that including the marketing of targeted sales leads (perhaps via auction) into the GCard membership base. Further, that could include the sales of the same lead to multiple pieces if the industry. For example, a person *selling* their home (the sales lead) may also need a mover, a realtor in another city, a new lender, a new title company etc. It could also provide a basis for additional advertising opportunities across the ecosystem. That said, to reiterate, we would view news regarding the addition of large industry provider organizations (lenders, title companies, realtors etc.) as highly positive in terms of building the ecosystem, but also perhaps as validation by industry players of the potential viability of the GCLT/CLOVIS collaboration.

Industry Overview

From an industry perspective, we think there are a small handful of topical issues that are germane to what we see as GCLT’s emerging business plan. Just to reiterate the point, to date, we believe that GCLT has focused on trying to build a subscription based business by providing CRM type mobile functionality to industry professionals. Granted, we submit that the plan may have included other potential ancillary opportunities, but again, we think that building the subscription model was the primary goal. Recognize, the Company’s beta and other new endeavors such as CLOVIS relationship, suggest that the plan is primarily aimed at building a database of professional users (GCards) to ultimately sell leads into. That

is, we suspect that the provisioning of GCards may ultimately be a loss leader or simply a cost of customer acquisition if that is a better way to think about it.

That being the case, we think the industry discussion here is best focused on a couple of issues, primarily, what is the general advertising opportunity in the real estate and associated industries (how big is it?) and, what opportunity (specifically) exists to find new, better and perhaps disruptive ways to displace legacy approaches? We will address each of those in the context of the GCLT/CLOVIS collaboration.

First and foremost, according to www.realtor.org, there are 115 million “occupied housing units” in the U.S. Each year approximately 4.5% or about 5.5 million of those are turned over (bought/sold) suggesting that 15,000 to 20,000 homes are listed *each day* in the U.S. GCLT seeks to identify these listings and distribute the information to their GCard database before others in the market can do so.

Moreover, per a recent Borrell forecast (www.borrell.com) “*U.S. residential mortgage providers spent approximately \$4.4 billion in 2015 marketing their services and loan products to mortgage borrowers*”.

In addition, other industry estimates suggest that “*U.S. real estate developers spent an estimated \$1.7 billion on residential advertising in 2015*”, and U.S. rental property managers “*spent an estimated \$3.5 billion on advertising*” during the same period.

Like most statistics of this nature, nobody knows for certain what these numbers are, but, it’s safe to say that the advertising spent in the space is enormous, and in the aggregate (real estate agents, lenders, developers et al.) the number is clearly several billion dollars each year and to anyone paying even passive attention those numbers are not hard to believe.

As an adjunct to the above, like most advertising, real estate marketing has also migrated heavily to the internet and associated mobile platforms. A recent survey from www.contractually.com provides some insights into the extent (and perhaps even the opportunity) to which the internet, mobile and social media are impacting real estate marketing:

Our top picks for the most important real estate statistics in 2016:

- *80% of all home buyers are searching online*
- *Gen. Y accounts for 68% of all first-time home buyers*
- *83% of all home buyers want to see pictures of the property online*
- *52% of all home buyers used an iPhone in their home search*
- *91% of realtors use social media to some extent*
- *Only 9% of realtors use social media to market their listings*
- *42% of buyers’ first step was looking online for a home*
- *88% of first time buyers are buying homes through an agent*
- *33% of first time buyers are first researching online*
- *31% of millennials looking to buy a home want to buy within 2 years*

*Social media has proven to be valuable for the real estate industry and sales agents. Online searches by home buyers are translating into increased activity with 45% performing a walk-through after viewing a home online. **Twenty-nine percent (29%) located an agent via an internet search** and 21% drove by a home after online viewing. Real estate agents can increase visibility and sales by implementing technical resources in their marketing strategy. Real estate agents have also demonstrated the ability to learn and tailor emerging technologies to meet their objectives. This should serve as encouragement for agents that are not using social media networks and the internet in general.*

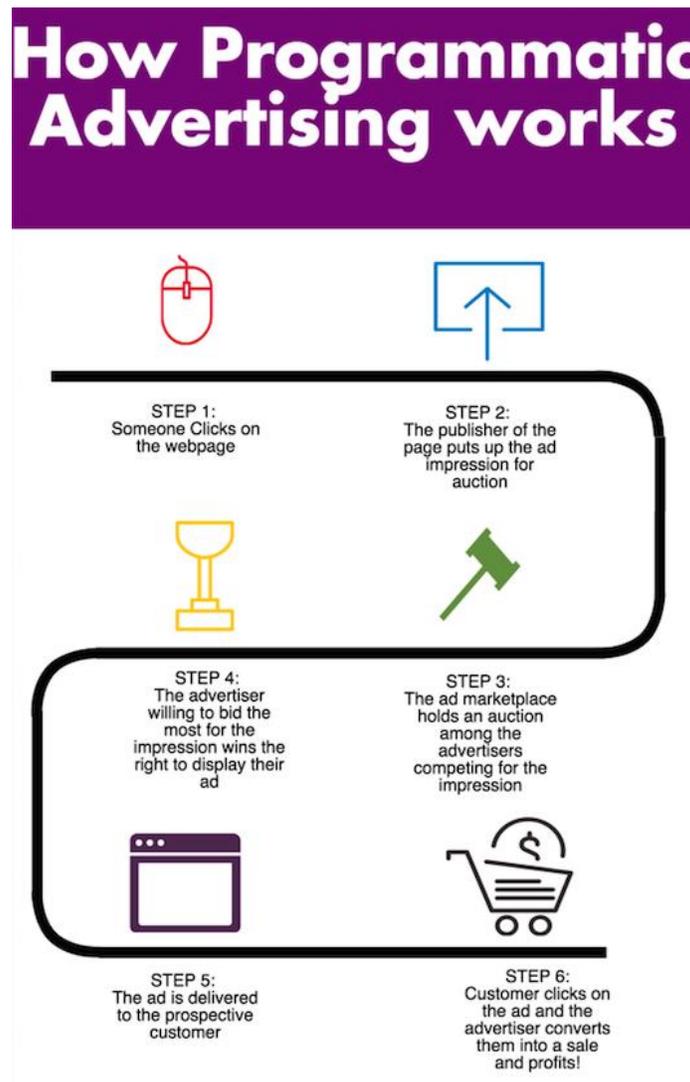
While we don’t suspect that most people will find the above surprising, just to drive the point home, the internet, mobile and social media platforms are playing an ever-increasing role in marketing in general,

and the real estate business is no exception. That said, the question going forward will be, who will develop the best approaches

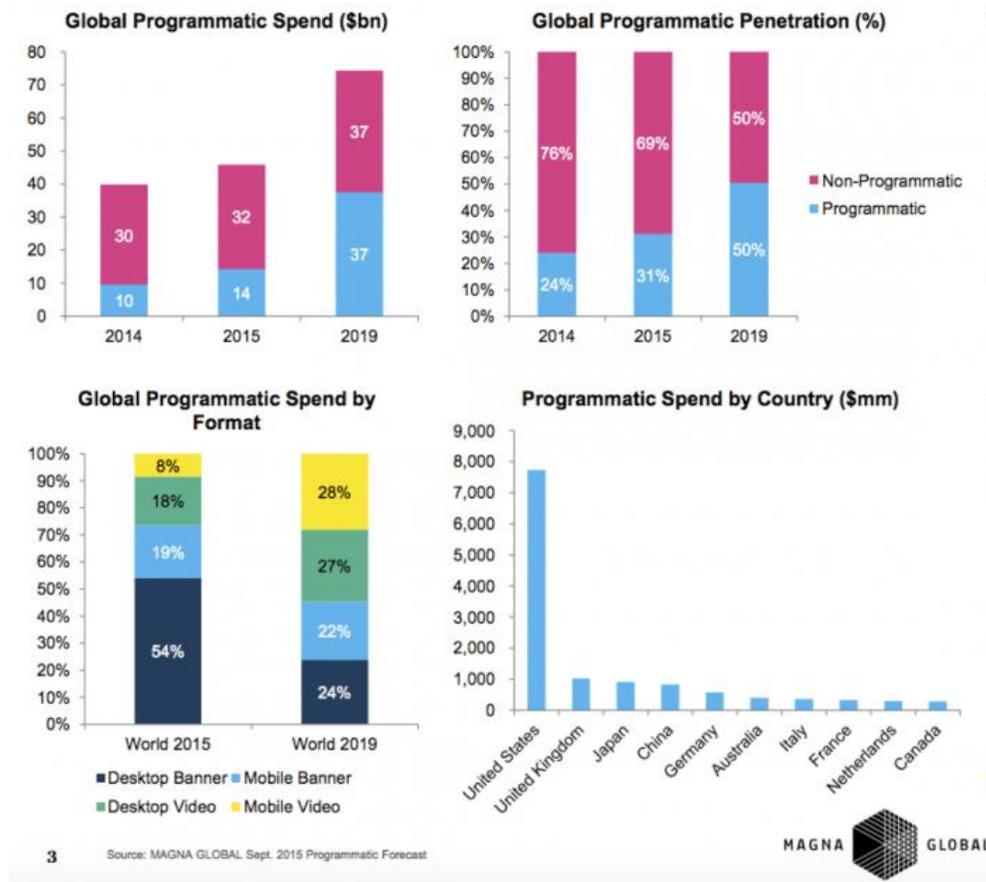
Who will develop the best approaches to real estate marketing, and what will those approaches look like? While we have certainly become accustomed to the advent of electronic communications of all types impacting greater portions of our lives, we have also become accustomed to the evolution of *those* technologies. Translation; the internet, mobile social media marketing approaches of today, may or may not be the approaches that work (evolve) tomorrow. The opportunity to stay/get in front that curve will likely determine the winners and losers of the future, which will likely include applying programmatic marketing approaches enabled by BIG data into the space. That being the case, here is a bit of a glimpse into what that might portend for their endeavors.

Each of the following illustrations is from www.smartinsights.com.

The illustration below provides a simple graphic that we think may help readers understand the process of programmatic marketing:



Industry forecasts for growth in the programmatic market space appear highly favorable to the GCLT/CLOVIS arrangement. For example, (again from www.smartinsights.com), “The Magna Global Programmatic Intelligence report gives forecasts for programmatic by format from 2014 to 2019. They estimate that by 2019 it will be 50% of all advertising, which is less than the Forrester estimate, but a significant growth from now”. The graphics below further illustrate the point.



Forecasts like the above illustrate why GCLT’s approach may make sense. Further, looking at the immense amount of data flowing across the industry (listings, sellers, buyers, agents, lenders, searches, pages views etc.) it’s also clear that a BIG Data approach aimed at gathering, interpreting and ultimately selling those results may create a “first to market” advantage for those deploying such technologies.

Operating Overview

Recognize part of our approach in providing profiles of this nature is to identify companies that are in the midst of catalysts that have the *potential* to create marked valuation inflections, and to identify them early in the process before that valuation becomes clear. Put another way, we want to find the story before the

catalyst is in the rear-view mirror, recognizing that approach involves several risks associated with the ultimate achievement (or lack thereof) of those milestones.

As noted, to date, the Company has largely employed a subscription model to monetize GCLT assets. That is, they charge professionals a monthly fee (currently \$40), to utilize the platform. While our understanding is that they have been able to add approximately 400 professionals to the GCard platform, a subscription model is clearly not the plan here. Frankly, we are glad to see that because our past experiences with various subscription models is that they face several challenges, including high costs of customer acquisition. We suspect GCLT may have learned that along the way.

As we alluded to above, the beta provides some metrics that support some pro forma modeling that may give us some visibility into the potential of the platform. For example, as we illustrated above, it seems that a \$40 per “match” price tag would result in a favorable customer acquisition cost to a lender. On the face, if there are 5.5 million homes sold each year, we could rationalize that at \$40, per lead, GCLT’s potential market would be around \$220 million annually. However, keep in mind that each of these leads (“matches”) could hypothetically be sold to multiple providers in the industry. That is, they may be able to get \$40 from a lender, and \$40 from a real estate broker, and \$40 from a title company etc. From that perspective, it is not hard to rationalize that the opportunity could be in multiples of that \$220 million annual figure.

In addition, as we understand it, the service(s) will also include some charges typical to other SAS type models. For example, a large title company with offices in 20 markets may pay a set-up fee and/or other static monthly fees on a per market basis. While we would still envision the “per lead” portion of the business to drive the preponderant share of the revenue, we think the opportunity for ancillary revenue streams is quite open ended.

Risk and Caveats

As with most early stage and small companies there are a variety of risks associated with GCLT. Those include but are not limited to a lack of profitability, which generally translates into a lack of capital, which in turn raises the potential of default risk in the worst case, and/or substantial dilution in the “better” case.

As we suggested, while we think we understand the game plan, the visibility at this point is problematic. Moreover, even visibility does not insure execution. There is much that needs to be done here, and a good portion of **that** needs to be done right. That is of course true of any equity investment, but it is typically more acute with small early stage deals.

While we have illustrated the enormity of the real estate marketing business, for a small company, that may be both good news and bad news. Large markets attract large and generally seasoned players. GCLT will (does) face formidable competition from a host of large, well-positioned, well-capitalized competitors as well as smaller technology companies looking to make their marks on the business. Moreover, we suspect that some of those technology companies may be backed by VC or PE firms that will provide capital and other advantages that GCLT may not possess.

Again, typical of many small early stage enterprises, GCLT’s success will likely depend on the contribution(s) of a small group of individuals. Thus, the departure of key people poses risks to the story. That may be acutely true of founder Ray Desmond.

Currently, while GCLT is a public company, it is not required to file financial results with the Securities and Exchange Commission. The Company does file voluntary financial results on www.otcmarkets.com. While public, the stock is generally thinly traded and at this point in time largely illiquid.

These are just a few of the more obvious risks associated with GCLT. There are likely a host of others.

Summary and Conclusion

To recap, GCLT has spent the better part of 15 years developing their technology platform, which now includes The GCard, GCHomeSearch/Home Scoop™ and the Daily Opportunity Service. These pieces combined with the Company's relationships in the industry represent the cornerstone of the business. In retrospect, it appears that they have had some stops and starts along the way but may now be positioned to begin scaled commercialization their efforts. Moreover, as we expressed above, the Company believes that the combination their proprietary technology and their direct access to relevant databases (due to their extensive industry contacts) allows them to deliver these leads *days ahead of other listing services* etc. They view this ability as unique and highly advantageous in terms of the service's competitive posture relative to legacy processes in the industry. Frankly, at this point in the story, we are not sure how to assess the accuracy of that claim: however, our sense is that if it is the case, they may in fact have a disruptive posture in a very large theatre. To reiterate, we would view that posture as a (potentially) billion-dollar opportunity.

As an adjunct to the potential pro forma revenue opportunity, there may be another point of focus in terms of things that might drive the underlying valuation of the GCLT shares. To edify, it's easy enough to understand how the stock price would likely respond to increases in revenue, cash flow and earnings because of the successful execution of the business plan. However, we would submit that if they are successful in expanding the footprint of their GCard membership (adding a large number of professionals to the platform) the Company could very well command valuations based on the growth and/or size of that database much like several of the successful social media players today. To translate, if they are successful in aggregating GCard users (perhaps even regardless of their success selling them sales leads), they may command a valuation with higher multiples than the math of their underlying earnings might otherwise command. In that event, we would expect to see better valuations well ahead of actual financial results. To that end, just to reiterate, we would view future information regarding the addition of industry partners that will expand the GCard user base as highly positive.

As we noted, there are plenty of challenges here not the least of which is that large established players in the space will not likely stand by and let GCLT eat their lunch. On the other hand, given the current value of the stock, we can rationalize how GCLT could "fly under the radar" and capture enough business to provide marked expansions in the valuation, before some of the larger (legacy) competitors figure it out, or frankly even care.

We will look to further information from the Company to perhaps validate and provide added visibility to the story, which at this point appears to be quite open-ended.

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