

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

HALO COMPANIES, INC.
(Exact name of registrant as specified in Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

000-15862

(Commission File No.)

13-3018466

(IRS Employee Identification No.)

**One Allen Center, Suite 500
700 Central Expressway South
Allen, Texas 75013**
(Address of Principal Executive Offices)

214-644-0065

(Issuer Telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act.

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, August 15, 2011: 65,494,506 shares of Common Stock, \$.001 par value per share outstanding.

Halo Companies, Inc.
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Part 1 – Financial Information

Item 1. Financial Statements

Halo Companies, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2011 (unaudited)	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 29,664	\$ 174,598
Restricted cash	27,864	29,563
Trade accounts receivable, net of allowance for doubtful accounts of \$228,905 and \$331,085, respectively	834,201	1,765,355
Total current assets	891,729	1,969,516
PROPERTY, EQUIPMENT AND SOFTWARE, net	281,673	333,951
INVESTMENTS IN UNCONSOLIDATED ENTITIES	25,036	38,647
INVESTMENTS IN PORTFOLIO ASSETS	300,000	300,000
DEPOSITS AND OTHER ASSETS	68,333	179,897
TOTAL ASSETS	1,566,771	2,822,011
LIABILITIES AND (DEFICIT) EQUITY		
CURRENT LIABILITIES		
Line of credit	\$ 1	\$ 1
Accounts payable	467,686	220,856
Accrued and other liabilities (including \$157,628 and \$94,307 to related parties, respectively)	909,558	436,345
Current portion of subordinated debt	73,556	66,556
Current portion of notes payable to related parties	703,639	414,724
Current portion of notes payable	167,289	248,608
Current portion of deferred rent	82,730	80,000
Total current liabilities	2,404,459	1,467,090
SECURED ASSET PROMISSORY NOTE	1,200,000	1,200,000
SUBORDINATED DEBT, LESS CURRENT PORTION	248,824	282,102
DERIVATIVE LIABILITY	96,917	98,560
DEFERRED RENT	171,950	213,335
Total liabilities	4,122,150	3,261,087
EQUITY		
Series Z Convertible Preferred Stock, par value \$0.01 per share; 82,730 shares authorized; 0 shares issued and outstanding at June 30, 2011	-	-
Preferred Stock, par value \$0.001 per share; 917,270 shares authorized; 0 shares issued and outstanding at June 30, 2011	-	-
Series X Convertible Preferred Stock, par value \$0.01 per share; 175,000 shares authorized; 158,577 shares issued and outstanding at June 30, 2011	-	-
liquidation preference of \$1,585,770	1,586	1,388
Halo Group, Inc. Preferred Stock, par value \$0.001 per share; 2,000,000 shares authorized		
Series A Convertible Preferred Stock;		
372,999 shares issued and outstanding at June 30, 2011		
liquidation preference of \$605,041	373	373
Series B Convertible Preferred Stock;		
229,956 shares issued and outstanding at June 30, 2011		
liquidation preference of \$509,900	230	230
Series C Convertible Preferred Stock;		
124,000 shares issued and outstanding at June 30, 2011		
liquidation preference of \$335,755	124	124
Common Stock, par value \$0.001 per share; 375,000,000 and 375,000,000 shares authorized; 65,494,506 and 65,429,706 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	65,495	65,430
Additional paid-in capital	6,864,674	6,580,767
Accumulated deficit	(9,409,385)	(7,005,070)
Total (deficit) equity	(2,476,903)	(356,758)
NONCONTROLLING INTEREST	(78,476)	(82,318)
Total shareholders' (deficit) equity	(2,555,379)	(439,076)
TOTAL LIABILITIES AND (DEFICIT) EQUITY	\$ 1,566,771	\$ 2,822,011

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

Halo Companies, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
REVENUE (including \$203,310, \$0, \$323,798 and \$0 from related parties, respectively)	\$ 809,737	\$ 2,055,272	\$ 1,664,639	\$ 4,087,197
OPERATING EXPENSES				
Sales and marketing expenses	349,663	409,552	659,140	821,040
General and administrative expenses (including \$30,750, \$17,700, \$61,500 and \$35,400 to related parties, respectively)	677,608	982,004	1,408,527	1,879,402
Salaries, wages, and benefits (including \$42,064, \$89,308, \$85,522 and \$321,357 of stock-based compensation)	902,321	1,297,221	1,728,252	2,754,344
Total operating expenses	<u>1,929,592</u>	<u>2,688,777</u>	<u>3,795,919</u>	<u>5,454,786</u>
OPERATING INCOME (LOSS)	(1,119,855)	(633,505)	(2,131,280)	(1,367,589)
OTHER INCOME (EXPENSE)				
Income (loss) from unconsolidated entities	602	7,118	336	7,118
Gain (loss) on change in fair value of derivative	830	(12,039)	1,643	(43,864)
Interest expense (including \$47,334, \$26,705, \$61,239 and \$51,932 to related parties, respectively)	(150,161)	(60,280)	(263,572)	(105,050)
Net income (loss) from operations, before income tax provision	<u>(1,268,584)</u>	<u>(698,706)</u>	<u>(2,392,873)</u>	<u>(1,509,385)</u>
INCOME TAX PROVISION	<u>7,600</u>	<u>(22,870)</u>	<u>7,600</u>	<u>(22,870)</u>
NET INCOME (LOSS)	<u>(1,276,184)</u>	<u>(675,836)</u>	<u>(2,400,473)</u>	<u>(1,486,515)</u>
(Gain) loss attributable to the noncontrolling interest	<u>(1,797)</u>	<u>9,375</u>	<u>(3,842)</u>	<u>19,500</u>
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ (1,277,981)</u>	<u>\$ (666,461)</u>	<u>\$ (2,404,315)</u>	<u>\$ (1,467,015)</u>
Earning per share:				
Basic & Diluted	\$ (0.020)	\$ (0.016)	\$ (0.037)	\$ (0.034)
Weighted Average Shares Outstanding				
Basic & Diluted	65,494,506	42,807,741	65,462,106	42,802,715

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

Halo Companies, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICIT)
For the Six Months Ended June 30, 2011 and 2010
(Unaudited)

	Halo Companies, Inc. Common Stock		Halo Companies, Inc. Series Z Convertible Preferred Stock		Halo Companies, Inc. Series X Convertible Preferred Stock		Halo Group, Inc. Series A Convertible Preferred Stock		Halo Group, Inc. Series B Convertible Preferred Stock		Halo Group, Inc. Series C Convertible Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2009	42,232,437	\$ 42,232	-	\$ -	-	\$ -	500,000	\$ 500	500,000	\$ 500	152,000	\$ 152	3,839,952	\$ (2,671,031)	\$ (50,111)	\$ 1,162,194
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	-	-	321,357	-	-	321,357
Exercise of Stock Options	60,100	60	-	-	-	-	-	-	-	-	-	-	542	-	-	602
Issuance of Common Stock shares as payment of stock and discretionary dividends	1,080,456	1,080	-	-	-	-	-	-	-	-	-	-	733,596	(734,676)	-	-
Issuance of Series X Convertible Preferred Stock for cash	-	-	-	-	68,577	686	-	-	-	-	-	-	685,084	-	-	685,770
Issuance of Series X Convertible Preferred Stock in exchange for debt	-	-	-	-	33,200	332	-	-	-	-	-	-	331,668	-	-	332,000
Net loss attributable to common shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,467,015)	-	(1,467,015)
Allocation of loss to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,500)	(19,500)
Balance at June 30, 2010	43,372,993	\$ 43,372	-	\$ -	101,777	\$ 1,018	500,000	\$ 500	500,000	\$ 500	152,000	\$ 152	\$ 5,912,199	\$ (4,872,722)	\$ (69,611)	\$ 1,015,408
Balance at December 31, 2010	65,429,706	65,430	-	-	138,777	1,388	372,999	373	229,956	230	124,000	124	6,580,767	(7,005,070)	(82,318)	(439,076)
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	-	-	85,522	-	-	85,522
Exercise of Stock Options	64,800	65	-	-	-	-	-	-	-	-	-	-	583	-	-	648
Issuance of Series X Convertible Preferred Stock for cash (FN 17)	-	-	-	-	19,800	198	-	-	-	-	-	-	197,802	-	-	198,000
Net loss attributable to common shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,404,315)	-	(2,404,315)
Allocation of gain to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,842	3,842
Balance at June 30, 2011	65,494,506	\$ 65,495	-	\$ -	158,577	\$ 1,586	372,999	\$ 373	229,956	\$ 230	124,000	\$ 124	\$ 6,864,674	\$ (9,409,385)	\$ (78,476)	\$(2,555,379)

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

Halo Companies, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
CASH FLOWS FROM OPERATIONS		
Net loss	\$ (2,404,315)	\$ (1,467,015)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	66,000	76,542
Bad debt expense	555,816	820,283
(Gain)/ Loss on change in fair value of derivative	(1,643)	43,864
Income from investments in unconsolidated entities	(336)	(7,118)
Distributions of earnings from unconsolidated entities	14,146	-
Stock based compensation	85,522	321,357
Noncontrolling interest	3,842	(19,500)
Changes in operating assets and liabilities:		
Accounts receivable	375,338	(1,114,259)
Restricted cash	1,699	77,690
Prepaid expenses and other current assets	-	109,211
Deposits and other assets	31,565	-
Accounts payable	246,830	116,279
Accrued liabilities	473,213	(14,183)
Deferred rent	(38,655)	99,660
Net cash used in operating activities	<u>(590,978)</u>	<u>(957,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint venture	(200)	(24,499)
Purchases of property and equipment	-	(42,896)
Deposits	75,000	(100,000)
Net cash provided by (used in) investing activities	<u>74,800</u>	<u>(167,395)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from issuance of preferred stock	198,000	331,999
Issuance of common stock for the exercise of stock options	648	602
Net payments on lines of credit	-	(10,000)
Principal payments on notes payable	(81,319)	(107,466)
Proceeds from notes payable due to related parties	483,000	553,355
Principal payments on notes payable to related parties	(194,085)	(125,693)
Proceeds from subordinated debt	-	420,000
Principal payments on subordinated debt	(35,000)	-
Net cash provided by financing activities	<u>371,244</u>	<u>1,062,797</u>
Net increase in cash and cash equivalents	(144,934)	(61,787)
CASH AND CASH EQUIVALENTS, beginning of period	<u>174,598</u>	<u>86,090</u>
CASH AND CASH EQUIVALENTS, ending of period	<u>\$ 29,664</u>	<u>\$ 24,303</u>
SUPPLEMENTAL INFORMATION		
Cash paid for taxes - Texas Franchise Tax	<u>\$ 7,600</u>	<u>\$ 16,000</u>
Cash paid for interest	<u>\$ 131,221</u>	<u>\$ 60,509</u>
NONCASH SUPPLEMENTAL INFORMATION		
Conversion of debt	<u>\$ -</u>	<u>\$ 685,771</u>

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

NOTE 1. ORGANIZATION AND RECENT DEVELOPMENTS

Halo Companies, Inc. (“Halo” or the “Company”) was incorporated under the laws of the State of Delaware on December 9, 1986. Its principal executive offices are located at One Allen Center, Suite 500, 700 Central Expy South, Allen, Texas 75013 and its telephone number is 214-644-0065.

Pursuant to an Agreement and Plan of Merger dated September 17, 2009 (the “Merger Agreement”), by and among GVC Venture Corp., a Delaware corporation, together with its subsidiaries, GVC Merger Corp., a Texas corporation and wholly owned subsidiary of the Company and Halo Group, Inc., a Texas corporation (“HGI”), GVC Merger Corp. merged with HGI, with HGI remaining as the surviving corporation and becoming a subsidiary of the Company (the “Merger”). The Merger was effective as of September 30, 2009, upon the filing of a certificate of merger with the Texas Secretary of State. The Company subsequently filed a restated Certificate of Incorporation with the Delaware Secretary of State effective December 11, 2009 which, among other things, effected a name change from GVC Venture Corp. to Halo Companies, Inc. On the effective date of the Merger, HGI’s business became the business of the Company. Unless otherwise provided in footnotes, all references from this point forward in this Report to “we,” “us,” “our company,” “our,” or the “Company” refer to the combined Halo Companies, Inc. entity, together with its subsidiaries.

Halo, through its wholly-owned subsidiaries Halo Group Mortgage, LLC (“HGM”), Halo Group Realty, LLC (“HGR”), Halo Credit Solutions, LLC (“HCS”), Halo Benefits, Inc. (“HBI”), previously doing business as Halo Group Consulting, Inc. (HGC), Halo Loan Modification Services, LLC (“HLMS”), Halo Select Insurance Services, LLC (“HSIS”), Halo Debt Solutions, Inc. (“HDS”), Halo Financial Services, LLC (“HFS”), Halo Portfolio Advisors, LLC (HPA), Halo Asset Management, LLC (“HAM”), and Equitas Housing Fund, LLC (“EHF”) provides mortgage services, real estate brokerage, credit restoration, association benefit services, loan modification services, insurance brokerage, debt settlement, and financial education to customers throughout the United States. HPA exists to market all of the Company’s operations into turnkey solutions for strategic business to business opportunities with major debt servicers, lenders, and mortgage backed securities holders. HAM is the operating platform of asset management and mortgage servicing services with investors and asset owners which oversees all the aspects of buying and managing distressed REO and non-performing loans. The Company’s corporate office is located in Allen, Texas.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements as of June 30, 2011, and for the three and six months ended June 30, 2011 and 2010 include the accounts of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain balances have been reclassified in prior period to be consistent with current year presentation.

Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but is not required for interim reporting purposes, have been condensed.

Revenue Recognition and Accounts Receivable

The Company generally recognizes revenue in the period in which services are provided. With respect to any enrolled debt account, HFS recognizes its revenue once a client makes at least one payment to a creditor pursuant to a settlement agreement, debt management plan, or other valid contractual agreement between the client and the creditor. The revenue recognized on any enrolled account bears the same proportional relationship to the total revenue that would be recognized for renegotiating, settling, reducing, or altering the terms of the debt balance on all of a particular client's enrolled accounts as the individual debt amount bears to the entire debt amount. Settlements can be in the form of a lump sum creditor settlement payment or via contractual payment plans. HDS recognizes its revenue over the average service period. The average service period is defined as the average length of time it takes to receive a settlement offer from each creditor which satisfies HDS' contractual obligation to the client per the client's service agreement with HDS, calculated on the entire HDS client base, currently ten months. The service being provided for each client is evaluated at an individual creditor level, thus the revenue recognition period estimate is calculated at an individual creditor level. The estimate is derived by comparing (i) the weighted average length of time from when the creditor was enrolled with HDS, to (ii) the time HDS received a contractually obligated settlement offer, per creditor, on all accounts since the inception of HDS, to (iii) the weighted average length of time all other creditors that are currently enrolled at the time of the estimate that have not received a contractually obligated settlement offer. This dual approach ensures a holistic representation of the service period. There are several factors that can affect the average service period, including economic conditions, number of clients enrolled, operational efficiencies, the time of year, and creditor dispositions. Effective October 27, 2010, there were no new sales in HDS (current servicing of existing customers is still active, including collecting of fees already earned and owed on all existing customers). Any new debt settlement business to the Company after October 27, 2010 has been and will continue to be transacted in the HFS entity. As such, the 10 month revenue recognition period for all new clients enrolled into HDS in October of 2010 will be fully recognized in July 2011. Provisions for discounts, refunds and bad debt are provided over the period the related revenue is recognized. Cash receipts from customers in advance of revenue recognized are recorded as deferred revenue.

Revenue recognition periods for HFS and HDS customer contracts are shorter than the related payment terms. Accordingly, HFS and HDS accounts receivable are the amount recognized as revenue less payments received on account. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: past transaction history with the customer, current economic and industry trends, and changes in customer payment terms. The Company provides for estimated uncollectible amounts through an increase to the allowance for doubtful accounts and a charge to earnings based on historical trends and individual account analysis. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts.

HDS receivables represent 89.7% and 96.8% of total accounts receivable at June 30, 2011 and December 31, 2010, respectively.

Net Income (Loss) Per Common Share

Basic net income(loss) per share is computed by dividing (i) net income available to common shareholders (numerator), by (ii) the weighted average number of common shares outstanding during the period (denominator). Diluted net income(loss) per share is computed using the weighted average number of common shares and dilutive potential common shares outstanding during the period. At June 30, 2011 and 2010, there were 2,317,335 and 3,510,469 shares, respectively, underlying potentially dilutive convertible preferred stock and stock options outstanding. These shares were not included in weighted average shares outstanding for the period ending June 30, 2011 and 2010 because their effect is anti-dilutive due to the Company's reported net loss.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates include the company's revenue recognition method, valuation of equity based compensation and derivative liabilities.

Principles of Consolidation

The consolidated financial statements of the Company for the three and six months ended June 30, 2011 include the combined financial results of HCI, HGI, HCS, HDS, HGM, HGR, HBI, HLMS, HSIS, HCIS (defined below), HFS, HPA, HAM, and EHF. All significant intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements of the Company for the three and six months ended June 30, 2010 include the combined financial results of HCI, HGI, HCS, HDS, HGM, HGR, HBI, HLMS, HSIS, HCIS, HFS, and HPA. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all liquid investments with a maturity of 90 days or less to be cash equivalents.

Restricted Cash

Restricted cash represents collections from customers that are processed and held by a merchant bank in the ordinary course of business, normally 5 business days. During the three months ended March 31, 2011, the bank updated its holding period from 7 days to 5 days.

Deposits and Other Assets

At December 31, 2010, deposits and other assets included \$100,000 in funds kept by a merchant bank to cover potential losses by the bank from customer cancellations. During February 2011, the merchant bank released \$75,000 of the \$100,000 in funds to the Company. At June 30, 2011, deposits and other assets included \$25,000 in funds kept by a merchant bank to cover potential losses by the bank from customer cancellations. The remaining balance as of June 30, 2011 includes \$50,000 related to the fiscal year 2010 purchase of intellectual property (IP) (offset by \$6,667 in accumulated amortization of the IP). The IP purchase consists primarily of multiple world-wide-web domains for which Halo holds the right, title, and interest. The IP is to be amortized into earnings over a 60 month term effective November 2010 through October 2015. Although the IP asset is not considered material to the overall consolidated financial statements, the IP will be reviewed for impairment consistent with Halo's policy for Long-lived assets as discussed below. There was no impairment charge for the three or six months ended June 30, 2011.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives, ranging from three to seven years. Provisions for depreciation and amortization are made using the straight-line method.

Major additions and improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon sale or retirement, the cost of the property and equipment and the related accumulated depreciation are removed from the respective accounts, and any resulting gains or losses are credited or charged to operations.

Investment in Unconsolidated Entities

During the year ended December 31, 2010, HGM began operations in a joint venture agreement with another entity for the purposes of providing mortgage banking services to consumers. HGM accounts for the 49% investment in the joint venture under the equity method. Under a qualitative and quantitative analysis performed in accordance with ASC 810 "Consolidation" (formerly FIN 46(R): Consolidation of Variable Interest Entities), the joint venture qualifies as a variable interest entity however HGM is not the primary beneficiary as the 51% investment holder has the controlling interest and is involved in all senior management decisions of the entity.

Equity method investments are included in investments in unconsolidated entities. Earnings on these investments are recorded in income from unconsolidated entities in the consolidated statements of operations. As of June 30, 2011, the investment in the joint venture was \$24,836. Income of \$602 and \$336 was recognized on the joint venture for the three and six months ended June 30, 2011. HGM received \$14,146 distribution from the joint venture during the three and six months ended June 30, 2011.

Investment in Portfolio Assets Valuation and Income Recognition

The Company adopted FASB ASC 820 (formerly SFAS No. 157), “Fair Value Measurements and Disclosures”, at inception, which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. ASC 820 establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price versatility used in measuring investments at fair value. Market price versatility is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price versatility and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I includes listed equities and listed derivatives.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

The Company has adopted FASB ASC 310-30 (formerly SOP 03-3), “Loans and Debt Securities Acquired with Deteriorated Credit Quality”, ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the Company’s initial investment in the loans if those differences are attributable to credit quality. ASC 310-30 requires that acquired impaired loans be recorded at fair value which at acquisition is purchase price plus any fees. The Company determines the excess of the loan’s or pool’s scheduled contractual principal and contractual interest payments over all cash flows expected at acquisition as an amount that should not be accreted (non accretable difference). The remaining amount, representing the excess of the loan’s cash flows expected to be collected over the amount paid, is accreted into interest income over the remaining life of the loan or pool (accretable yield). Over the life of the loan or pool, we evaluate at the balance sheet date whether the present value of such loans determined using the effective interest rates has decreased and if so, recognize a loss. For increases in cash flows expected to be collected, we adjust the amount of accretable yield recognized on a prospective basis over the loans or pool’s remaining life. If the Company cannot reasonably estimate the timing and amount of future cash flows from acquired loans, the Company applies the cost recovery method as described in AICPA Practice Bulletin No. 6 whereby cash payments received are applied to the investment in mortgages up to the cost of the investment. Accordingly, the cost recovery method has been applied. Payments received in excess of the investment are recognized as revenue as received. The Company’s investment in portfolio assets has been classified as a Level III investment according to ASC 820.

Gains (Losses) on Investments

Gains (losses) on investments are reported as realized upon disposition of investments and are calculated based upon the difference between the proceeds and the cost basis determined. Costs of investments that in managements’ judgment have become permanently impaired, in whole or in part, are written off and reported as realized losses. All other changes in the valuation of portfolio investments are included as changes in the unrealized appreciation or depreciation of investments in the consolidated statements of operations. There were no gains or losses on investments for the three or six months ended 2011.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, receivables, accounts payable and accruals approximate fair value due to the short maturity of these items.

The Company considers the warrants related to its Subordinated Debt to be derivatives, and the Company records the fair value of the derivative liabilities in our consolidated balance sheets. Changes in fair value of the derivative liabilities are included in *gain/loss on change in fair value of derivative* in the consolidated statements of operations. The Company's derivative liability has been classified as a Level III valuation according to ASC 820.

Internally Developed Software

Internally developed legacy application software consisting of database, customer relations management, process management and internal reporting modules are used in each of Company's subsidiaries. The Company accounts for computer software used in the business in accordance with Accounting Standards Codification (ASC) 350 "Intangibles-Goodwill and Other" (formerly Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use). ASC 350 requires computer software costs associated with internal use software to be charged to operations as incurred until certain capitalization criteria are met. Costs incurred during the preliminary project stage and the post-implementation stages are expensed as incurred. Certain qualifying costs incurred during the application development stage are capitalized as property, equipment and software. These costs generally consist of internal labor during configuration, coding, and testing activities. Capitalization begins when (i) the preliminary project stage is complete, (ii) management with the relevant authority authorizes and commits to the funding of the software project, and (iii) it is probable both that the project will be completed and that the software will be used to perform the function intended. Management has determined that a significant portion of costs incurred for internally developed software came from the preliminary project and post-implementation stages; as such, no costs for internally developed software were capitalized.

Long-Lived Assets

Long-lived assets are reviewed on an annual basis or whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is generally measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by that asset. If it is determined that the carrying amount of an asset may not be recoverable, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is the estimated value at which the asset could be bought or sold in a transaction between willing parties. There were no impairment charges for the three or six months ended June 30, 2011 and 2010.

Identifiable Intangible Assets

During 2010, the Company purchased an intangible asset consisting of certain trade secrets and methods relating to HAM. See further discussion regarding the purchase in Note 17 Shareholder's Equity. The intangible asset will be amortized over its useful life, determined by management to be two years. This is the period over which the asset is expected to contribute to the future cash flows of that entity. An intangible asset that is subject to amortization shall be reviewed for impairment in accordance with Codification 350 - (previously FASB No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets). In accordance with that statement, an impairment loss shall be recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

Equity-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with ASC 718 "Compensation-Stock Compensation" (formerly SFAS No. 123 (revised 2004), Share-Based Payment ("SFAS 123R")). Under ASC 718, the fair value of stock options at the date of grant is recognized in earnings over the vesting period of the options beginning when the specified events become probable of occurrence. There has been no new stock compensation awarded since September 30, 2009. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of (i) the date on which the counterparty's performance is complete, or (ii) the date on which it is probable that performance will occur.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740 “Income Taxes” (formerly SFAS No. 109, Accounting for Income Taxes and FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109” (“FIN 48”). ASC 740 requires the use of the asset and liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. These differences result in deferred tax assets and liabilities, which are included in the Company’s consolidated balance sheet.

The Company then assesses the likelihood of realizing benefits related to such assets by considering factors such as historical taxable income and the Company’s ability to generate sufficient taxable income of the appropriate character within the relevant jurisdictions in future years. Based on the aforementioned factors, if the realization of these assets is not likely a valuation allowance is established against the deferred tax assets.

The Company accounts for its position in tax uncertainties under ASC 740-10. ASC 740-10 establishes standards for accounting for uncertainty in income taxes. ASC 740-10 provides several clarifications related to uncertain tax positions. Most notably, a “more likely-than-not” standard for initial recognition of tax positions, a presumption of audit detection and a measurement of recognized tax benefits based on the largest amount that has a greater than 50 percent likelihood of realization. ASC 740-10 applies a two-step process to determine the amount of tax benefit to be recognized in the financial statements. First, the Company must determine whether any amount of the tax benefit may be recognized. Second, the Company determines how much of the tax benefit should be recognized (this would only apply to tax positions that qualify for recognition.) No additional liabilities have been recognized as a result of the implementation. The Company has not taken a tax position that, if challenged, would have a material effect on the financial statements or the effective tax rate during the three or six months ended June 30, 2011 and 2010.

Deferred Rent

The Company’s operating leases for its office facilities contain free rent periods during the lease term. For these types of leases the Company recognizes rent expense on a straight line basis over the minimum lease term and records the difference between the amounts charged to expense and the amount paid as deferred rent. As the free rent periods have expired on the existing office facility leases as of June 30, 2011, the Company expects the deferred rent balance to decrease over the remaining rental period until maturity date at which time the deferred rent balance will have been reduced to \$0.

Non-controlling Interest

On January 1, 2009, HSIS entered into a joint venture with another entity to form Halo Choice Insurance Services, LLC (HCIS). HSIS contributed 49% of the opening equity balance. Under a qualitative analysis performed in accordance with ASC 810 “Consolidation”, HCIS is a variable interest entity and HSIS is the primary beneficiary as HSIS’s parent company, HGI, acts as the sole manager of the entity. Based on this analysis, HSIS has consolidated HCIS with the non-controlling 51% interest included in non-controlling interest on the balance sheet and statement of operations.

NOTE 3. CONCENTRATIONS OF CREDIT RISK

The Company maintains aggregate cash balances, at times, with financial institutions, which are in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). During 2011, the FDIC insured deposit accounts up to \$250,000. Further, all funds in noninterest-bearing transaction accounts are insured in full by the FDIC from December 31, 2010 through December 31, 2012. At June 30, 2011, the Company’s cash accounts in different financial institutions were all less than the \$250,000 FDIC insured amount.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable.

In the normal course of business, the Company extends unsecured credit to its customers. Because of the credit risk involved, management has provided an allowance for doubtful accounts which reflects its estimate of amounts which will eventually become uncollectible. In the event of complete non-performance by the Company's customers, the maximum exposure to the Company is the outstanding accounts receivable balance at the date of non-performance.

NOTE 4. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the Company will need additional financing to fully implement its business plan in a manner that not only continues to expand already established direct-to-consumer approach, but also allows the Company to establish a stronger brand name in all the areas which it operates, including HAM's asset management of distressed asset sectors.

There are no assurances that additional financing will be available on favorable terms, or at all. If additional financing is not available, the Company will need to reduce, defer or cancel development programs, planned initiatives and overhead expenditures. The failure to adequately fund its capital requirements could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, the sale of additional equity securities to raise financing will result in additional dilution to the Company's stockholders, and incurring additional indebtedness could involve the imposition of covenants that restrict the Company operations or the Company's ability to perform on its current debt service requirements. The Company has incurred an accumulated deficit of \$9,409,385 as of June 30, 2011. However, of the accumulated deficit, \$2,076,070 of expense was incurred as stock-based compensation; \$46,679 was loss on change in fair value of derivative, and \$316,807 in depreciation expense, all of which are non-cash expenses. Further, \$734,676 of the accumulated deficit is related to the issuance of stock dividends, also non cash reductions in the accumulated deficit. The totals of these non-cash retained earnings reductions represents 34% of the total deficit balance. Management is trying to raise additional capital through sales of common and preferred stock as well as seeking financing from third parties. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

5. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following as of June 30, 2011 and December 31, 2010, respectively:

Computers and purchased software	\$ 161,764	\$ 161,764
Furniture and equipment	436,716	436,716
	<u>598,480</u>	<u>598,480</u>
Less: accumulated depreciation	(316,807)	(264,529)
	<u>\$ 281,673</u>	<u>\$ 333,951</u>

Depreciation totaled \$24,966, \$52,278, \$42,297 and \$72,181 for the three and six months ended June 30, 2011 and 2010.

NOTE 6. INVESTMENTS IN PORTFOLIO ASSETS

In December 2010, EHF entered into an agreement to purchase non-performing mortgage notes secured by the property, across the United States, for 6.6% of unpaid principal balance. Total purchase price of the investment was \$300,000. The Company will utilize several different strategies to place a new borrower in an asset or to modify the terms of an existing borrower and subsequently will season the notes for 6-24 months collecting cash flow payments from the borrower while providing consumer financial rehabilitation services to each customer, including debt relief, credit restoration and financial education. Following several months of seller financed payment seasoning, the Company disposes of the performing Assets in bulk to various bulk performing asset buyers. Prior to any bulk disposal, the Company will refinance those consumers that have achieved a level of qualification capable of securing the loan. As the purchase agreement was entered into on December 28, 2010, management deemed the value as of the date of purchase to be consistent with the value as of the December 31, 2010. As of June 30, 2011, the value was \$300,000. The Company has determined that the timing and amount of future cash flows from these notes cannot be reasonably estimated at June 30, 2011. As such, the cost recovery method has been applied.

This investment has been classified as Level III investments according to ASC 820. The changes in investments measured at fair value for which the Company has used Level III inputs to determine fair value is as follows as of June 30, 2011:

Face Value	\$	4,604,542
Discount		(4,304,542)
Purchase Price		300,000
Payments received in 2011 and applied to investment		(0)
Balance, June 30, 2011	\$	300,000

NOTE 7. ACCRUED AND OTHER LIABILITIES

The Company accounted for \$909,558 in accrued liabilities at June 30, 2011. Included in this accrual was \$342,472 in salaries and wages payable (including payroll tax and accrued penalties of \$284,842), \$149,614 in deferred compensation to multiple senior management personnel, \$227,643 in accrued interest, \$6,837 in deferred revenue, \$163,967 in advance deposits and \$19,025 in other. HAM, as one of the general partners in a non-consolidated partnership investment, is holding the \$163,967 cash deposit advances of the partnership to be used to pay for future expenses of the partnership. The Company accounted for \$436,345 in accrued liabilities at December 31, 2010. Included in this accrual was \$121,171 in salaries and wages payable, \$173,152 in deferred compensation to multiple senior management personnel, \$95,292 in accrued interest, \$11,682 in deferred revenue and \$35,048 in other.

NOTE 8. LINE OF CREDIT

On March 6, 2009, the Company entered into a revolving line of credit (“LOC”) facility with Legacy Texas Bank (“LTB”) which provides maximum borrowings of \$250,000, subject to a borrowing base, and bears interest at the bank’s rate as defined as prime plus 1% (6% floor). On September 6, 2009, the Company increased the line of credit \$75,000 to a maximum borrowing amount of \$325,000, subject to a borrowing base, with the same interest rate. The \$325,000 maximum borrowing amount includes a \$75,000 letter of credit to the Company’s business office lessor. As of June 30, 2011 and December 31, 2010, the Company had a LOC outstanding balance of \$1. The LOC is cross collateralized by all of the Company’s assets.

During the year ended December 31, 2010, the Company modified and amended the LOC facility agreement with LTB modifying the maturity date. The maturity date of the LOC is December 31, 2010. Outside of the \$75,000 letter of credit to the office lessor, the only borrowing capacity on the LOC is the \$1 outstanding balance at June 30, 2011. The \$75,000 letter of credit is still in force until its expiration date of November 2011. See further discussion in Notes Payable (Note 10) and in Subsequent Events (Note 18).

NOTE 9. NOTES PAYABLE DUE TO RELATED PARTIES

The notes payable due to related parties as of June 30, 2011, reside in five notes as follows;

During April 2009 the Company entered into one unsecured promissory note with a related party for a working capital advance to the Company in the amount of \$65,000 (the "Related Party Note"). The Related Party Note bears interest at a rate of 8% per annum and is a monthly installment note with final maturity of October 2011. All interest and principal is due upon maturity. As of June 30, 2011, the amount outstanding under the Related Party Note totaled \$40,055, included in current portion of notes payable to related parties. As of December 31, 2010, the amount outstanding under the Related Party Note totaled \$46,140, included in current portion of notes payable to related parties.

During November 2009 the Company entered into one unsecured promissory note with a related party for a working capital advance to the Company in the amount of \$60,000 (Related Party Note 4). Related Party Note 4 bears interest at a rate of 8% per annum with a maturity date of April, 2010. All interest and principal is due upon maturity. At December 31, 2009, the amount outstanding under the Related Party Note 4 totaled \$30,000. On January 5, 2010, the Company entered into one unsecured promissory note with a related party for a working capital advance to the Company in the amount of \$230,584 (Amended Related Party Note 4). This note includes the refinancing of the \$30,000 outstanding Related Party Note 4 and the associated \$584 of accrued interest from the respective related party note. The note bears interest at a rate of 16% per annum with a maturity date of October 17, 2011. All interest and principal is due upon maturity. As of June 30, 2011 and December 31, 2010, the amount outstanding under the Amended Related Party Note 4 totaled \$230,584.

During September 2010 the Company entered into one unsecured promissory note with a related party (a company director) for a working capital advance to the Company in the amount of \$70,000 (the "2010 Related Party Note"). Subsequent to September 2010 thru June 30, 2011, the company director has provided additional advances on the note of \$348,000 and the Company has made payments on the note of \$335,000. The 2010 Related Party Note is payable on demand, and if no demand is made, then has a maturity date of September 29, 2011. All interest and principal is due upon maturity. As of June 30, 2011, the amount outstanding under the 2010 Related Party Note totaled \$83,000, included in current portion of notes payable to related parties. As of December 31, 2010, the amount outstanding under the 2010 Related Party Note totaled \$38,000, included in current portion of notes payable to related parties.

During November 2010, the Company entered into one unsecured promissory note with a related party in the amount of \$100,000 (2010-2 Related Party Note). The 2010-2 Related Party Note has a fixed interest amount of \$10,000 and a maturity date of October 31, 2011. All interest and principal is due upon maturity. As of June 30, 2011 and December 31, 2010, the amount outstanding under the 2010-2 Related Party Note totaled \$100,000, included in current portion of notes payable to related parties.

During March 2011, the Company entered into one unsecured promissory note with a related party (a company director) in the amount of \$250,000 (2011 Related Party Note). The 2011 Related Party Note has a fixed interest amount of \$25,000 and a maturity date of July 31, 2011. All interest and principal is due upon maturity. As of June 30, 2011, the amount outstanding under the 2011 Related Party Note totaled \$250,000, included in current portion of notes payable to related parties.

During March 2011, the Company entered into a fifteen-day unsecured promissory note with a related party in the amount of \$73,000 (2011-2 Related Party Note). All interest and principal is due upon maturity. The balance was paid down in full in April 2011 and as of June 30, 2011 the amount outstanding under the 2011-2 Related Party Note totaled \$0.

The Company incurred \$47,334, \$61,239, \$26,705 and \$51,932 of interest expense to directors and other related parties during the three and six months ended June 30, 2011 and 2010. Accrued interest due to directors and other related parties totaled \$157,628 and \$94,307 at June 30, 2011 and December 31, 2010, respectively.

NOTE 10. NOTES PAYABLE

On March 6, 2009, the Company entered into a 36 month secured promissory note with Legacy Texas Bank in the amount of \$374,000. The note bears interest at the Federal Home Loan Bank (FHLB) 2.5 to 3 year rate plus 3.25% (6.16% fixed rate over the term of the note). As of June 30, 2011, the note payable balance was \$100,254, included in current portion of notes payable. See below for maturity date. As of December 31, 2010, the note payable balance was \$164,484, included in current portion of notes payable.

On April 15, 2009, the Company entered into a 60 month secured promissory note with Legacy Texas Bank in the amount of \$167,000. The proceeds of this note payable were used to purchase communication equipment. The note bears interest at 7% per annum with monthly installments. As of June 30, 2011, the note payable balance was \$67,035. See below for maturity date. As of December 31, 2010, the note payable balance was \$84,124, included in current portion of notes payable.

The notes are collateralized by all of the Company's assets. The notes have a current maturity date of December 31, 2010; however as of the date of this filing LTB has not called the note due and the Company is currently in discussions with LTB regarding an extension of the maturity date to a future date to be determined. During the six months ended June 30, 2011, the Company has continued to timely make its regular debt service payments to LTB as if the extension will be provided. See further discussion in Subsequent Events (Note 18).

NOTE 11. SUBORDINATED DEBT

During January 2010, the Company authorized a \$750,000 subordinated debt offering (Subordinated Offering), which consists of the issuance of notes paying a 16% coupon with a 1% origination fee at the time of closing. The maturity date of the notes is January 31, 2013. Repayment terms of the notes included interest only payments through July 31, 2010. Thereafter, level monthly payments of principal and interest are made as calculated on a 60 month payment amortization schedule with final balloon payment due at maturity. The rights of holders of notes issued in the Subordinated Offering are subordinated to any and all liens granted by the Company to a commercial bank or other qualified financial institution in connection with lines of credit or other loans extended to the Company in an amount not to exceed \$2,000,000, and liens granted by the Company in connection with the purchase of furniture, fixtures or equipment. This includes the Legacy Texas Bank debt disclosed in Note 8 and Note 10. Since inception of the offering, the Company has raised \$420,000 in the Subordinated Offering. For the six months ended June 30, 2011, the Company has raised \$0 in the Subordinated Offering. As of June 30, 2011, subordinated debt balance was \$322,380, of which \$73,556 is included in current portion of subordinated debt. As of December 31, 2010, subordinated debt balance was \$348,658, of which \$66,556 is included in current portion of subordinated debt.

As part of the Subordinated Offering, the Company grants to investors common stock purchase warrants (the "Warrants") to purchase an aggregate of 200,000 shares of common stock of the Company at an exercise price of \$.01 per share. The 200,000 shares of common stock contemplated to be issued upon exercise of the Warrants are based on an anticipated cumulative debt raise of \$750,000. The investors are granted the Warrants pro rata based on their percentage of investment relative to the \$750,000 aggregate principal amount of notes contemplated to be issued in the Subordinated Offering. The Warrants shall have a term of seven years, exercisable from January 31, 2015 to January 31, 2017. The Company will have a call option any time prior to maturity, so long as the principal and interest on the notes are fully paid, to purchase the Warrants for an aggregate of \$150,000. After the date of maturity until the date the Warrants are exercisable, Company will have a call option to purchase the Warrants for \$200,000. The call option purchase prices assume a cumulative debt raise of \$750,000.

The Company adopted the provisions of FASB ASC 815, “*Derivatives and Hedging*” (FASB ASC 815). FASB ASC 815 requires freestanding contracts that are settled in a company’s own stock to be designated as an equity instrument, assets or liability. Under the provisions of FASB ASC 815, a contract designated as an asset or liability must be initially recorded and carried at fair value until the contract meets the requirements for classification as equity, until the contract is exercised or until the contract expires. Accordingly, the Company determined that the warrants should be accounted for as derivative liabilities and has recorded the initial value as a debt discount which will be amortized into interest expense using the effective interest method. As of June 30, 2011, the balance of debt discount was \$27,620, of which \$17,444 was included in current portion of subordinated debt, with the remaining \$10,176 included in subordinated debt, less current portion. As of December 31, 2010, the balance of debt discount was \$36,342, of which \$17,444 was included in current portion of subordinated debt, with the remaining \$18,898 included in subordinated debt, less current portion. Subsequent changes to the marked-to-market value derivative liability will be recorded in earnings as derivative gains and losses. As of June 30, 2011, there were 112,000 warrants outstanding with a derivative liability of \$96,917. As of December 31, 2010, there were 112,000 warrants outstanding with a derivative liability of \$98,560. The \$1,643 decrease in fair value is included in the income statement as *gain on change in fair value of derivative*. The warrants were valued using the Black-Scholes model, which resulted in the fair value of the warrants at \$0.87 per share using the following assumptions;

	<u>June 30, 2011</u>
Risk-free rate	1.76%
Expected volatility	189.61%
Expected remaining life (in years)	5.50
Dividend yield	0.00%

NOTE 12. SECURED ASSET PROMISSORY NOTE

During December 2010, the Company authorized a debt offering to be secured by real estate assets purchased in connection with Equitas Housing Fund, LLC, (“Equitas Offering”). The Equitas Housing Fund offering, which is now closed, generated \$1,200,000 in proceeds. Of the \$1,200,000 in proceeds, \$300,000 was used to acquire non-performing, residential mortgage notes and the balance was used for mortgage note workout expenses and operational expenses of Halo Asset Management. The Secured Asset Promissory Notes consist of a 25% coupon with a maturity date of December 31, 2012. Accrued interest is to be paid quarterly at the end of each fiscal quarter beginning March 31, 2011 through maturity date and continuing until the promissory note has been paid in full. The rights of the holders of the Secured Asset Promissory Notes include a security interest in the collateral of the above mentioned securities of real estate properties. As of June 30, 2011, the Equitas Offering is closed. For the three and six months ended June 30, 2011, the Company raised \$0 in the Equitas Offering. As of June 30, 2011, the Secured Asset Promissory Note balance was \$1,200,000. For the three and six months ended June 30, 2011, the Company incurred \$75,000 and \$150,000 in interest expense on the note. As of June 30, 2011, the accrued interest balance was \$75,000. For the year ended December 31, 2010, the Company raised \$1,200,000 in the Equitas Offering. As of December 31, 2010, the Secured Asset Promissory Note balance was \$1,200,000.

NOTE 13. RELATED PARTY TRANSACTIONS

For the three and six months ended June 30, 2011, HPA and HAM recognized revenue totaling \$203,310 and \$323,798 from an entity owned by a significant shareholder in the Company. The shareholder became a significant shareholder as part of the Assignment and Contribution Agreement (defined in Note 17 below).

For the three and six months ended June 30, 2011 and 2010, the Company incurred consulting costs totaling \$30,750, \$61,500, \$17,700 and \$35,400 to two separate entities owned each by a director and former director of the Company. The former director remains a significant shareholder in the Company.

For the three and six months ended June 30, 2011 and 2010, the Company incurred interest expense to related parties (See Note 9).

All cash consideration received in the Series X Preferred (defined in Note 17 below), for the six months ended June 30, 2011 is from a significant shareholder of the Company.

NOTE 14. INCOME TAXES

For the three and six months ended June 30, 2011 and 2010, the quarterly effective tax rate of 0% varies from the U.S. federal statutory rate primarily due to certain non-deductible expenses and an increase in the valuation allowance associated with the net operating loss carryforwards. Our deferred tax assets related to other state net operating loss carryforwards remain fully reserved due to uncertainty of utilization of those assets.

Deferred tax assets and liabilities are computed by applying the effective U.S. federal and state income tax rate to the gross amounts of temporary differences and other tax attributes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. At June 30, 2011, the Company believed it was more likely than not that future tax benefits from net operating loss carry-forwards and other deferred tax assets would not be realizable through generation of future taxable income and are fully reserved.

The Company has net operating loss ("NOL") carry-forwards of approximately \$6,500,000 available for federal income tax purposes, which expire from 2011 to 2030. A portion of the NOLs relating to GVC Venture Corp. are subject to certain annual limitations. Certain substantial ownership changes, as defined in Internal Revenue Code Section 382, limit the utilization of the available NOLs (the Section 382 Limitation). The Section 382 Limitation is calculated by multiplying the fair market value of the loss corporation immediately preceding the change of ownership by the long-term, tax-exempt rate prescribed by the IRS.

NOTE 15. COMMITMENTS AND CONTINGENCIES

The Company leases its office facilities and various equipment under non-cancelable operating leases which provide for minimum monthly rental payments. Pursuant to an office lease dated November 12, 2007, as amended, the Company is required to make monthly lease payments of \$32,663, with an increase in May 2010 to \$49,789 per month and in November 2010 to \$61,199 per month. The lease expires on August 14, 2014. Future minimum rental obligations under leases as of June 30, 2011 are as follows:

Years Ending December 31:

2011	\$	390,881
2012		774,446
2013		774,050
2014		438,607
Total Minimum lease commitments	\$	<u>2,377,984</u>

For the three and six months ended June 30, 2011 and 2010, the Company incurred facilities rent expense totaling \$173,646, \$326,692, \$148,971 and \$277,405.

In the ordinary course of conducting its business, the Company may be subject to loss contingencies including possible disputes or lawsuits. Management believes that the outcome of such contingencies will not have a material impact on the Company's financial position or results of future operations. See additional discussion on the office lease in Subsequent Events (Note 18).

NOTE 16. STOCK OPTIONS

The Company granted stock options to certain employees under the HGI 2007 Stock Plan, as amended (the “Plan”). The Company was authorized to issue 2,950,000 shares subject to options, or stock purchase rights under the Plan. These options (i) vest over a period no greater than two years, (ii) are contingently exercisable upon the occurrence of a specified event as defined by the option agreements, and (iii) expire three months following termination of employment or five years from the date of grant depending on whether or not the options were granted as incentive options or non-qualified options. At September 30, 2009, pursuant to the terms of the Merger Agreement, all options granted prior to the Merger were assumed by the Company and any options available for issuance under the Plan but unissued, have been forfeited and consequently the Company has no additional shares subject to options or stock purchase rights available for issuance under the Plan. As such, there were no options issued during the three and six months ended June 30, 2011. As of June 30, 2011, 428,300 option shares have been exercised. Total stock options outstanding through June 30, 2011 total 1,803,490. The weighted average remaining contractual life of the outstanding options at June 30, 2011 is approximately 2.44 years.

A summary of stock option activity in the Plan is as follows:

	Number of Options	Exercise Price Per Option	Weighted Average Exercise Price
Outstanding at December 31, 2009	2,827,470	\$ 0.01 – 1.59	\$ 0.66
Granted	-	-	-
Exercised	(363,500)	0.01	0.01
Canceled	(269,900)	0.01 – 1.59	1.54
Outstanding at December 31, 2010	2,194,070	\$ 0.01 – 1.59	\$ 0.47
Granted	-	-	-
Exercised	(64,800)	0.01	0.01
Canceled	(325,780)	0.01 – 1.59	0.08
Outstanding at June 30, 2011	1,803,490	\$ 0.01 – 1.59	\$ 0.71

All stock options granted under the Plan and as of June 30, 2011 became exercisable upon the occurrence of the Merger that occurred on September 30, 2009. As such, equity-based compensation for the options will be recognized in earnings from issuance date of the options over the vesting period of the options effective September 30, 2009. Total compensation cost to be expensed over the vesting period of stock options is \$2,105,509. For the three and six months ended June 30, 2011, stock compensation expense totaled \$42,064 and \$85,522. The remaining \$29,439 in future stock compensation expense is scheduled to be recognized into earnings over the next 3 months.

On July 19, 2010, the board of directors approved the Company’s 2010 Incentive Stock Plan (2010 Stock Plan). The 2010 Stock Plan allows for the reservation of 7,000,000 shares of the Company’s common stock for issuance under the plan. The 2010 Stock Plan became effective July 19, 2010 and terminates July 18, 2020. As of June 30, 2011, no shares have been issued or stock option agreements executed under the 2010 Stock Plan.

NOTE 17. SHAREHOLDERS’ EQUITY

Common Stock

During the six months ended June 30, 2011, 64,800 shares of common stock were issued via the exercise of stock options.

Total common shares outstanding totaled 65,494,506 as of June 30, 2011.

On December 13, 2010 (the Closing), the Company was party to an Assignment and Contribution Agreement (the “Agreement”). Pursuant to the terms of Agreement, the members of Equitas Asset Management, LLC, (EAM), a non Halo entity, which owned 100% of the interests of Equitas Housing Fund, LLC (EHF), assigned and contributed 100% of the interests of EAM to HAM (a halo subsidiary) in exchange for shares of 21,200,000 shares of the Company’s Common Stock, \$.001 par value, of the Company. The Agreement did not constitute a business combination.

The Company issued 7,500,000 shares of Halo common in exchange for the counter party to assist the Company in raising \$3,000,000 in debt or equity capital. The aggregate of 7,500,000 shares of Halo common will be subject to clawback (and cancellation) by Halo in the event that EAM does not generate at least three million dollars (\$3,000,000) in new capital to Halo within twelve months following the closing. Halo shall have the right to claw back 2.5 shares of Halo common for every dollar not raised within the twelve months. Any cash generated by EAM will need to be designated for use in Halo's general operations and not that of the EHF business to release the clawback rights.

The Company issued 13,700,000 shares of Halo common for the purchase of intangible assets owned by EAM which included trade secrets and business processes used in the EHF business. The aggregate 13,700,000 shares of Halo common shall be subject to clawback (and cancellation) by Halo in the event that EAM fails to generate at least \$10,000,000 of net operating cash flows from the EHF business within twenty-four months following the closing. Halo shall have the right to claw back 1.37 shares of Halo common for every dollar not generated from the net operating cash flows of the EHF business. Once the \$10,000,000 in net operating cash flows from the EHF business is generated, the clawback rights will be released.

In applying the guidance of ASC 505 – "Equity" to the above transactions, the clawback provisions create a performance commitment that has not been met. As such, although the transaction did provide for a grant date at which time the equity shares are issued and outstanding, the equity shares have not met the measurement date requirements required by ASC 505 – Equity. Accordingly, the par value of the shares issued and outstanding have been recorded at the grant date and as the clawback rights are released and the measurement dates established, the fair value of the transactions will be determined and recorded. The pro-rata fair value of equity issued in connection with fund raising efforts at each measurement date will be recorded as debt issuance costs or a reduction in the equity proceeds raised by the counter party. The pro-rata fair value of equity issued in connection with the purchase of intangible assets at the measurement date will be recorded as amortization expense because the amortization period of the underlining asset purchase and the clawback release rights are commensurate.

Looking forward, at each future fiscal quarter end, the Company will determine performance completion subject to the two clawback provisions and measure fair value of the transaction at that time in accordance with ASC 505. As of June 30, 2011, no additional performance completion triggers occurred for either clawback provision and as such no additional accounting entries needed.

As it relates to the intangible asset, the trade secrets purchased on the contract date above will in no case be forfeited by the Company regardless of the shares conveyance.

Preferred Stock

In connection with the Merger, the Company authorized 1,000,000 shares of Series Z Convertible Preferred Stock with a par value of \$0.01 per share (the "Series Z Convertible Preferred"). The number of shares of Series Z Preferred Stock may be decreased by resolution of the Board; provided, however, that no decrease shall reduce the number of Series Z Preferred Shares to less than the number of shares then issued and outstanding. In the event any Series Z Preferred Shares shall be converted, (i) the Series Z Preferred Shares so converted shall be retired and cancelled and shall not be reissued and (ii) the authorized number of Series Z Preferred Shares set forth in this section shall be automatically reduced by the number of Series Z Preferred Shares so converted and the number of shares of the Corporation's undesignated Preferred Stock shall be deemed increased by such number. The Series Z Convertible Preferred is convertible into common shares at the rate of 45 shares of common per one share of Series Z Convertible Preferred. The Series Z Convertible Preferred has liquidation and other rights in preference to all other equity instruments. Simultaneously upon conversion of the remaining Series A Preferred, Series B Preferred, and Series C Preferred and exercise of any outstanding stock options issued under the HGI 2007 Stock Plan into Series Z Convertible Preferred, they will automatically, without any action on the part of the holders, be converted into common shares of the Company. During the six months ended June 30, 2011, in connection with the exercise of stock options into common stock and converted Series A Preferred, Series B Preferred and Series C Preferred as noted above, 1,440 shares of Series Z Convertible Preferred were automatically converted into shares of the Company's common stock leaving 917,270 shares of authorized undesignated Preferred Stock in the Company in accordance with the Series Z Convertible Preferred certificate of designation. As of June 30, 2011 there were 82,730 shares of Series Z Preferred authorized with zero shares issued and outstanding.

The Company authorized 125,000 shares of Series X Convertible Preferred Stock with a par value of \$0.01 per share (the "Series X Preferred"). In 2010 the Company subsequently amended the Series X Preferred in order to authorize an additional 50,000 shares for total authorized shares of 175,000. The number of shares of Series X Preferred may be decreased by resolution of the Board; provided, however, that no decrease shall reduce the number of Series X Preferred to less than the number of shares then issued and outstanding. In the event any Series X Preferred Shares shall be redeemed, (i) the Series X Preferred so redeemed shall be retired and cancelled and shall not be reissued and (ii) the authorized number of Series X Preferred Shares set forth in this section shall be automatically reduced by the number of Series X Preferred Shares so redeemed and the number of shares of the Corporation's undesignated Preferred Stock shall be deemed increased by such number. The Series X Preferred Shares rank senior to the Company's common stock to the extent of \$10.00 per Series X Preferred Shares and on a parity with the Company's common stock as to amounts in excess thereof. The holders of Series X Preferred shall not have voting rights. Holders of the Series X Preferred shall be entitled to receive, when and as declared by the board of directors, dividends at an annual rate of 9% payable in cash when declared by the board. Holders of Series X Preferred have a liquidation preference per share equal to \$10.00. The liquidation preference was \$1,585,770 as of June 30, 2011. As of June 30, 2011 there were 175,000 shares authorized with 158,577 shares issued and outstanding. Of the 158,577 shares issued and outstanding, 68,577 shares were related to the 2010 conversion from notes payable due to related parties. The remaining 90,000 shares were issued for cash consideration.

The HGI Series A Convertible Preferred Stock (the "Series A Preferred") has a par value of \$0.001 per share and has a liquidation preference of the greater of (a) the consideration paid to the Company for such shares plus all accrued but unpaid dividends, if any or (b) the per share amount the holders of the Series A Preferred would be entitled to upon conversion, as defined in the Series A Preferred certificate of designation. The liquidation preference was \$605,041, of which \$45,542 is an accrued dividend at June 30, 2011. Holders of the Series A Preferred are entitled to receive, if declared by the board of directors, dividends at a rate of 8% payable in cash or common stock of the Company. The Series A Preferred is convertible into the Company's common stock at a conversion price of \$1.25 per share. The Series A Preferred is convertible, either at the option of the holder or the Company, into shares of the Company's Series Z Convertible Preferred Stock, and immediately, without any action on the part of the holder, converted into common stock of the Company. The Series A Preferred is redeemable at the option of the Company at \$1.80 per share prior to conversion. As of June 30, 2011, there have been 127,001 shares of Series A Preferred converted or redeemed. The Series A Preferred does not have voting rights. The Series A Preferred ranks senior to the following capital stock of the Company: (a) Series B Preferred, and (b) Series C Preferred.

The HGI Series B Convertible Preferred Stock (the "Series B Preferred") has a par value of \$0.001 per share and has a liquidation preference of the greater of (a) the consideration paid to the Company for such shares plus all accrued but unpaid dividends, if any or (b) the per share amount the holders of the Series B Preferred would be entitled to upon conversion. The liquidation preference was \$509,900, of which \$49,988 is an accrued dividend at June 30, 2011. Holders of the Series B Preferred are entitled to receive, if declared by the board of directors, dividends at a rate of 8% payable in cash or common stock of the Company. The Series B Preferred is convertible into the Company's common stock at a conversion price of \$1.74 per share. The Series B Preferred is convertible, either at the option of the holder or the Company, into shares of the Company's Series Z Convertible Preferred Stock, and immediately, without any action on the part of the holder, converted into common stock of the Company. The Series B Preferred is redeemable at the option of the Company at \$2.30 per share prior to conversion. As of June 30, 2011, there have been 270,044 shares of Series B Preferred converted or redeemed. The Series B Preferred does not have voting rights. Series B Preferred ranks senior to the following capital stock of the Company: the Series C Preferred.

The HGI Series C Convertible Preferred Stock (the "Series C Preferred") has a par value of \$0.001 per share and has a liquidation preference of the greater of (a) the consideration paid to the Company for such shares plus all accrued but unpaid dividends, if any or (b) the per share amount the holders of the Series C Preferred would be entitled to upon conversion. The liquidation preference was \$335,755, of which \$25,755 is an accrued dividend at June 30, 2011. Holders of the Series C Preferred are entitled to receive, if declared by the board of directors, dividends at a rate of 8% payable in cash or common stock of the Company. The Series C Preferred is convertible into the Company's common stock at an initial conversion price of \$2.27 per share. The Series C Preferred is convertible, either at the option of the holder or the Company, into shares of the Company's Series Z Convertible Preferred Stock, and immediately, without any action on the part of the holder, converted into common stock of the Company. The Series C Preferred is redeemable at the option of the Company at \$2.75 per share prior to conversion. As of March 31, 2011, there have been 28,000 shares of Series C Preferred converted or redeemed. The Series C Preferred does not have voting rights. Series C Preferred ranks senior to the following capital stock of the Company: None.

The Company had issued and outstanding at June 30, 2011, 372,999 shares of Series A Preferred, 229,956 shares of Series B Preferred, and 124,000 shares of Series C Preferred, all with a par value of \$0.001.

NOTE 18. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Company has raised an additional \$120,000 in Series X Preferred stock for cash consideration. This is the equivalent of an additional 12,000 shares for total shares issued and outstanding at the time of this filing of 170,577.

In August 2011, the Company entered into an agreement with Legacy Texas Bank to consolidate the two notes (LTB Consolidated Note) discussed in Note 10 above into a 15 month note. As such, effective August 15, 2011, the LTB Consolidated Note had a balance of \$155,000, which included the balance of the two notes as of June 30, 2011 less payments made subsequent to June 30, 2011. This note bears interest of 3% and has a maturity date of November 2012. First payment on the term note is to be made in September 2011.

Subsequent to June 30, 2011, as the Company was delinquent in its lease payments to its office lessor, the Company received default notice from the office lessor. The Company has fully expensed all accrued rent in its accounts payable as of June 30, 2011. Since June 30, 2011 and up to the time of this filing, the Company has applied approximately \$105,000 against the accrued rent balance. As such, the Company received a written forbearance letter from the office lessor allowing use of the office space through August 17, 2011. At the time of this filing, the Company has proposed and is waiting for response on additional payment terms for an extension of stay in the existing office space.

In August 2011, the Company entered into an agreement with Legacy Texas Bank to term out the \$75,001 line of credit (\$75,000 of this is the letter of credit discussed in Note 8 and drawn upon by the Company's office lessor to apply against accrued rent subsequent to June 30, 2011). The terms of the new note include an interest rate of 3% over 18 months with a maturity date of February 2013. First payment on the term note is to be made in September 2011.

There were no other subsequent events to disclose.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q that are not statements of historical fact constitute “forward-looking statements”. Words such as “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believes,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. Although the Company believes that the current views and expectations reflected in these forward-looking statements are reasonable, those views and expectations, and the related statements, are inherently subject to risks, uncertainties, and other factors, many of which are not under the Company’s control. Those risks, uncertainties, and other factors could cause the actual results to differ materially from those in the forward-looking statements. Those risks, uncertainties, and factors (including the risks contained in the section of this report titled “Risk Factors”) that could cause the Company’s actual results, performance or achievements to differ materially from those described or implied in the forward-looking statements and its goals and strategies to not be achieved. The Company expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any change in its views or expectations. The Company can give no assurances that such forward-looking statements will prove to be correct.

The following discussion of the financial condition and results of operation of the Company should be read in conjunction with the financial statements and the notes to those statements included in this Report.

Company Overview

Halo is a nationwide real estate, asset management and financial services company that provides technology and asset management solutions to asset owners as well as real estate and financial services to financially distressed consumers which can be applied individually or utilized as a comprehensive workout strategy. Halo is able to develop comprehensive, custom tailored solutions for consumers through debt settlement, credit repair, mortgage lending, real estate services and insurance protection. Halo also offers technology solutions, asset management, mortgage servicing, portfolio advisory and consulting services for investors and institutions holding portfolios or non-performing assets.

We work with our business clients, who are typically distressed debt investors or debt servicers to market turnkey solutions to greater monetization of their portfolios. In today’s economy, lenders are experiencing an overflow of distressed assets. Many debt servicers are currently overwhelmed with imposed programs that require more resources such as people, money and time to be effective. Halo’s technology systems are bundled with transparency, accountability, efficiency, speed, and flexibility. This unique strategy directs borrowers into an intelligent, results-driven process that establishes affordable, long-term mortgages while also achieving an improved return for lenders and investors, when compared to foreclosure.

We work with our consumer clients that may be in various stages of financial crisis, to assist in reducing their debt, correcting their credit profile, securing a home mortgage, buying, selling, or renting a residence, providing proper insurance for their assets, providing major medical and limited benefit health insurance products, mitigating potential home loss, and educating them in financial matters.

Plan of Operations

Halo has developed a fee for service business model through Halo Asset Management for the monetization of non-performing, residential mortgage notes (“NPNs”) or foreclosed single family homes (“REO”) (collectively, “Assets”). Halo provides investors and asset owners a complete suite of asset management and mortgage servicing services including, but not limited to (i) portfolio due diligence such as valuation engines, tax research, portfolio bid management, cost allocations and decision support; (ii) acquisition services including portfolio reconciliation, title, and tax reporting, an investor portal, initial portfolio inspection and servicing transfer assistance; (iii) repositioning services including portfolio restructuring, valuations, document preparation engine, document e-vaulting and proprietary loan underwriting; (iv) asset management and mortgage servicing including portfolio accounting, servicing and loan management functions, escrow administration, payment processing, loss mitigation and default resolution; and (v) liquidation strategies including predictive liquidity waterfalls, portfolio liquidation analysis, market analysis and disposition support. Halo focuses on the monetization and servicing of distressed real estate assets and finding a win-win solution for the asset owner/investor and the consumer. Halo will board REO properties as well as sub-performing and non-performing first position mortgages from banks, financial institutions and mortgage servicers which have been purchased by investors. The majority of the assets will be either modified first lean mortgages or sold via owner finance, as opposed to a fire sale through the traditional broker network. HAM, through its strategic sub-servicing relationship, will season the notes for 6-24 months collecting cash flow payments from the borrower. At the same time Halo can provide consumer financial rehabilitation services to each customer, including debt relief, credit restoration and financial education. Halo utilizes several different strategies to place a new borrower in the Asset and following several months of seller financed payment seasoning, disposes of the performing Assets in bulk to various bulk performing asset buyers. Prior to any bulk disposal, Halo will refinance those consumers that have achieved a level of qualification capable of securing the loan. Halo’s goal, in addition to the asset management and servicing fees it collects on each asset, is to negotiate a profit share with each investor/asset owner whereby Halo will participate in the profits of the monetization in addition to the service revenues generated for HAM and other Halo subsidiaries.

For the NPN’s, Halo will get a deed-in-lieu of foreclosure from the borrower (which ensures the investor ownership of the underlying asset; not just the purchased note) and will subsequently restructure or modify the note for those borrowers who have a desire to stay in the home and have the capacity to afford the home. The borrowers who either lack the desire to stay in the home or who lack the capacity to afford the home shall be removed, often times through incentives, and Halo shall take the home back to an REO.

For the REO’s, traditional apartment or home renters become buyers after a qualification and screening process because they are given the opportunity to purchase affordable homes at achievable and manageable down payment and subsequent monthly payments. Halo issues land contracts or mortgage notes for the new home owners. A land contract (sometimes known as “contract for deed”) is a contract between a seller and buyer or real property in which the seller provides financing to buy the property for an agreed-upon purchase price and the buyer repays the loan in installments. Under a land contract, the seller retains the legal title to the property, while permitting the buyer to take possession of it for most purposes other than legal ownership. The sales price is typically paid in periodic installments. When the full purchase price has been paid including any interest, the seller is obligated to convey legal title to the property to the buyer. Halo provides entry level housing with built-in, fully amortized financing that equates to payments that are no more than the buyers are currently paying in rent and often as much as 35% less.

Typically, Halo will set the amortization schedule for the loans at 20 years or 33% shorter than the typical bank loan currently available. Therefore, the buyers have an accelerated equity accumulation compared to conventional 30-year amortizing debt.

It is during this time that we work directly with the borrower to improve their financial stability. This is accomplished by analyzing their budget and financial disposition and creating a plan to address their unsecured debt burden, credit profile, insurance needs, and financial education.

When the home loans are “seasoned” they are attractive investment vehicles to be either financed or sold. We will attempt to refinance the rehabilitated borrowers through an FHA loan providing the Client with an exit at 90-95% of par value. The notes of the other borrowers that did not achieve qualifying levels of rehabilitation will be sold at a discount of par value.

Currently, HAM is under contract to manage and service over 6,500 assets in various stages of their life-cycle ranging from REO and non-performing loans to re-performing note modifications and performing owner financed contract-for-deeds. The Company believes that the country is in a long term deleveraging cycle whereby home financing will continue to be difficult to obtain. For this same reason, we believe that investors will continue to be able to purchase Assets in bulk from large institutional sellers at deep discounts and Halo's goal is to establish itself, with the help of its unique technology platform and key servicing and vendor relationships, as the premier asset manager/servicer in the distress non-performing loan and REO sector.

In addition to fees for managing, servicing and monetizing Assets for HAM, we plan to increase concentration on the business-to-business marketing strategy. HPA targets other asset purchasers or servicers ("Client") and leverages the business model described above as well as an integrated approach for returning performance to distressed asset/debt portfolios by balancing strong focus on restoring stability and predictability to loan portfolios and increasing cash flow with unique and convenient solutions for our Clients and their customers. HPA services include portfolio strategy consulting, default management, asset/liability management, asset preservation management, debt servicing, debt restructuring, campaign management advisement, portfolio acquisition and disposal support. We will utilize the HAM business model described above to assist in the monetization of NPNs and REO. The Company will participate in the proceeds of any Client monetization in addition to service revenues generated for HAM and other Halo subsidiaries. We believe that there is exponential value in the ability to rehabilitate consumers' financial wherewithal to bankable levels and provide an additional exit strategy for Clients at improved returns of over 20% of their independent achievable IRR.

HPA's focus is to work with asset managers, investors and servicers to provide a unique, tailored workout program that will improve the performance of the assets or notes through a myriad of creative analytic and retention strategies. HPA utilizes Halo's in-house technology to provide a proprietary, customized analysis of a Client's position. HPA then custom tailors a solution for the Client which provides the Client analytics on which assets or notes to monetize first and what options are best utilized to monetize each individual asset or note. HPA is then able to follow up with Halo's suite of consumer financial products including loan modification, short sale services, refinancing, credit repair, and unsecured debt resolution to assist the Client in carrying out the custom solution that HPA provided.

The current economic environment finds lenders and servicers drowning in an overflow of distressed assets and Halo recognizes the cause behind a typical troubled asset is often not one, but several contributing factors. HPA's workout program allows for management of a diverse portfolio of loans. HPA's technology systems are bundled with transparency, accountability, efficiency, speed, and flexibility. This unique strategy delivers Clients an intelligent, results-driven process that achieves an improved return for lenders, investors and servicers. Halo's operational support services allow endless opportunities for strategic relationships with major distressed asset managers and servicers.

Our management team is well-positioned to execute its opportunity intensive business plan. At its core, the plan seeks to execute on delivering asset management, valued analytics, consumer financial rehabilitation and asset monetization through mortgage lending in HAM or to mid-size institutional investors while limiting the cost associated with acquiring consumers for other Halo subsidiaries through traditional retail channels.

Significant effort and investment capital has been incurred by the Company over the past seven years in order to put together a qualified and capable staff, and proprietary software platforms as well as develop the systems, procedures and infrastructure to execute the business plan on a large-scale. Given the short time frame this current market opportunity has existed, we have a significant competitive advantage over others who may try to execute the same business plan.

It is our intent to continue expanding the direct-to-consumer business via the service verticals noted above, both organically, as well as potentially through acquisition. We also plan to increase our concentration on the business-to-business marketing strategy, specifically in the mortgage servicing industry. We have supplemented our operating cash-flow with debt and equity financing to support our growth in marketing and business development. We intend to pursue additional funding through debt, subordinated debt, and equity financing to continue expansion and growth efforts.

Results of Operations for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

Revenues

For the three months ended June 30, 2011, revenue was up \$285,633 to \$504,441 for the three months ended June 30, 2011 from \$218,808 for the three months ended June 30, 2010 in the Company's HPA, HGR, and HSIS subsidiaries combined. For the six months ended June 30, 2011, revenue was up \$625,152 to \$938,418 for the six months ended June 30, 2011 from \$313,266 for the six months ended June 30, 2010 in the Company's HPA, HGR, and HSIS subsidiaries combined. Notwithstanding, overall Revenue was down \$1,245,535 or 61% to \$809,737 for the three months ended June 30, 2011 from \$2,055,272 for the three months ended June 30, 2010. Revenue was down \$2,422,558 or 59% to \$1,664,639 for the six months ended June 30, 2011 from \$4,087,197 for the six months ended June 30, 2010. The difference and overall reduction in revenue is primarily in HDS due to several factors including management's decision in late 2010 to implement a smaller marketing and customer lead budget, a reduced sales team and the overall affect of the amended Federal Trade Commission's (FTC) Telemarketing Sales Rule ("TSR") applicable to debt settlement fees. We continue to earmark marketing dollars in several of the smaller subsidiaries in an effort to increase those subsidiaries top line revenues as part of the Company's long term growth plans. Those subsidiaries include HGR, HSIS, HGM and HPA. As noted above, these entities have seen revenue growth in 2011 to help offset the decrease of HDS. Halo continues to innovate and deploy its overall market strategy and reinvent its ability to provide increasingly effective and efficient services to business and consumer customers alike.

Looking forward to the remaining months of fiscal year ending December 31, 2011, our focus continues to remain on additional top line revenue growth of the subsidiaries named above as well as the success in the asset management business model established (as discussed above) in its HAM and HPA subsidiaries. In 2011, the Company expects operations and cash flows to these Halo verticals to be material to the Company.

As it relates to the Company providing debt settlement services to customers, management summarizes the following; effective October 27, 2010, there were no new sales in HDS (current servicing of existing customers is still active, including collecting of fees already earned and owed on all existing customers), rather all new sales of debt settlement services by Halo were performed by HFS specifically in adherence with regulatory guidelines established under the recent amendments to the TSR applicable to debt settlement fees. Under the TSR, for which all cash flows were received following performance, the financial success of this business was going to be through long term residual growth built by building up a steady customer base over 2011 and seeing residual cash flows start flowing in as successful customer settlements increased. Although HFS has seen an increase in the ability to quickly settle a customer's debts and recognize revenue, because management noticed a trend in rising marketing costs, coupled with decreased sales volume and increased competition for leads and quality sales agents, management made a strategic decision to scale back sales operations and minimize the commitment of marketing dollars in HFS. Management believes that operational capital is better spent on our opportunities in HAM and HPA and has seen an immediate impact on revenue since shifting increased marketing and operational capital to those subsidiaries at the expense of HFS. The Company continues to provide settlement services to the customers in existence at the time of the sales team scale back. With that said, for the three and six months ended June 30, 2011, HFS revenues were up \$59,000 and \$111,000 compared to the three and six months ended June 30, 2010. Management does not anticipate HFS revenues being material to the Company for fiscal year 2011. Management believes the most effective way to leverage our HFS sales and negotiation back office is through both organic referrals from our other subsidiaries and wholesale accounts gained from our Client's in HPA and HAM.

As noted above, Halo's HPA subsidiary saw revenue grow to \$153,653 for the three months ended June 30, 2011 compared to \$15,124 for the three months ended June 30, 2010. HPA revenue grew to \$302,420 for the six months ended June 30, 2011 compared to \$15,124 for the six months ended June 30, 2010. Management expects that growth to continue throughout all of 2011.

Operating Expenses

Sales and marketing expenses include advertising, marketing and customer lead purchases, and direct sales costs incurred including appraisals, credit reports, and contract service commissions. The majority of contract service commissions include those commissions paid to our independent real estate agents in HGR. Sales and marketing expenses decreased \$59,889 or 15% to \$349,663 for the three months ended June 30, 2011 from \$409,552 for the three months ended June 30, 2010. Sales and marketing expenses decreased \$161,900 or 20% to \$659,140 for the six months ended June 30, 2011 from \$821,040 for the six months ended June 30, 2010. This decrease is primarily attributable to the overall reduction in HDS lead purchase expense, consistent with the above noted decrease in revenues, during the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. This decrease is offset by an increase in HGR's real estate closing commissions paid to independent agents during the same time period, consistent with the above noted increases in revenues in HGR.

General and administrative expenses decreased \$304,396 or 31% to \$677,608 for the three months ended June 30, 2011 from \$982,004 for the three months ended June 30, 2010. General and administrative expenses decreased \$470,875 or 25% to \$1,408,527 for the six months ended June 30, 2011 from \$1,879,402 for the six months ended June 30, 2010. This decrease is a result of several items including a decrease in allowance for doubtful accounts which is charged to bad debt expense, included within general and administrative expenses. This decrease is in line with the overall decrease in revenue and accounts receivable of HDS. See significant accounting policies contained in Note 2 to the consolidated financial statements. The decrease is also attributable to the following; (a) reduction of consulting costs occurred during the three and six months ended June 30, 2010, (b) reduction in insurance costs associated with reduction in employee headcount, and (c) reduction of several general and administrative expenses necessary during the first operating year (October 1, 2009-September 30, 2010) the Company went public including professional fees for legal, stock transfer, and investor relation costs. The decrease is offset by an increase in rent expense contractually entered into which included increased square footage occupied at the Company's offices.

Salary, wages and benefits decreased \$394,900 or 30% to \$902,321 for the three months ended June 30, 2011 from \$1,297,221 for the three months ended June 30, 2010. Approximately \$47,244 or 12% of this decrease is stock option compensation expense for any options that had vested during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. As noted in the significant accounting policies contained in Note 2 to the consolidated financial statements, the fair value of stock options at the date of grant is determined via the Black Scholes model and, since the options were exercisable upon the occurrence of the Merger occurring on September 30, 2009, the fair value of such options is recognized in earnings over the vesting period of the options beginning when the Merger occurred. Stock compensation related to the 2007 stock plan will be fully vested as of September 30, 2011. Stock compensation is a non-cash expense item. The remaining \$347,656 or 88% decrease is a reduction in overall employee headcount primarily from reduction in force efforts at both the parent company and within HFS and HDS, consistent with senior leadership's decision to implement decreased marketing, salaries, and variable overhead and operational costs to HFS and HDS as we increased our efforts to grow revenue in various other Halo ventures discussed above. As salaries, wages and benefits is the most significant cost to the Company, management actively monitors this cost to ensure it is in line with our business plan. Salary, wages and benefits decreased \$1,026,092 or 37% to \$1,728,252 for the six months ended June 30, 2011 from \$2,754,344 for the six months ended June 30, 2010. Approximately \$235,835 or 23% of this decrease is stock option compensation expense for any options that had vested during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The remaining \$790,257 or 77% decrease is a reduction in overall employee headcount related to the reasons noted above.

Interest expense increased \$89,881 or 149% to \$150,161 for the three months ended June 30, 2011 from \$60,280 for the three months ended June 30, 2010. Interest expense increased \$158,522 or 151% to \$263,572 for the six months ended June 30, 2011 from \$105,050 for the six months ended June 30, 2010. The increase is primarily attributable to the 2011 \$75,000 quarterly interest expense associated with secured asset promissory note discussed in Note 12 to the consolidated financial statements. The increase is also attributable to the increase in subordinated debt balance during 2010 as discussed in Note 11 to the consolidated financial statements. The increase is offset by the fact the Company paid off several material portions of its notes payable during December 2010 and as such interest expense was incurred in 2010 that was not incurred during 2011.

The Company experienced losses of \$611,520 and 92% to a net loss of \$1,277,981 for the three months ended June 30, 2011 from a net loss of \$666,461 for the three months ended June 30, 2010. The Company experienced losses of \$937,300 and 64% to a net loss of \$2,404,315 for the six months ended June 30, 2011 from a net loss of \$1,467,015 for the six months ended June 30, 2010 primarily attributable to the reasons noted above.

Significant Accounting Policies

Certain critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's consolidated financial statements. These policies are contained in Note 2 to the consolidated financial statements and included in Note 2 to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no significant changes in our significant accounting policies since the last fiscal year end 2010.

Liquidity and Capital Resources

As of June 30, 2011, the Company had cash and cash equivalents of \$29,664. The decrease of \$144,934 in cash and cash equivalents from December 31, 2010 was due to cash used in operating activities of \$590,978 offset by cash provided by financing activities of \$371,244 and investing activities of \$74,800.

Net cash used in operating activities was \$590,978 for the six months ended June 30, 2011, compared to \$957,189 net cash used in operating activities for the six months ended June 30, 2010. The net cash used in operating activities for the six months ended June 30, 2011 was due to a net loss of \$2,404,315, adjusted primarily by the following: (1) non cash expense items including depreciation of \$66,000, bad debt expense of \$555,816, share-based compensation expense of \$85,522 and (2) an increase in accounts payable of \$246,830, an increase in accrued liabilities of \$473,213, a decrease in gross accounts receivable of \$375,338, offset by a decrease in deferred rent liability of \$38,655. The remaining immaterial variance is related to changes in operating assets and liabilities, a change in the noncontrolling interest balance, a gain on the change in fair value of derivative, and income from investment in an unconsolidated entity (net of cash return on the investment).

Net accounts receivable decreased by \$931,154 or 53%. The decrease was a result of bad debt expense of \$555,816 directly impacting the allowance for doubtful accounts less the decrease in gross accounts receivable of \$375,338. Allowance for loan loss and bad debt expense is discussed in significant accounting policies above. Continuing into fiscal year end 2011, we expect the account receivable balance in HDS to continue decreasing as we begin to fully implement the business plan discussed in *Plan of Operations* above. As such, the HDS accounts receivable balance will wind down by the completion of the program via contractual payments of customers less cancellations and chargeoffs.

The accounts payable increase is primarily the result of the timing of payments in monthly vendor commitments and payables. As the Company has seen declines in its top line revenues, expenses have also declined accordingly. However, the timing of the revenue decreases, in line with the Company's attempt to raise capital for future successful business operations discussed in *Plan of Operations* above, has required the Company to strategically monitor its payables and cash flow outlays. The Company pro-actively manages the timing and aging of vendor payables throughout the year. The increase in accrued liabilities of \$473,213 is primarily related to a \$132,351 increase in accrued interest, \$221,301 in salaries and wages payable (including payroll tax payable) and \$163,967 in advance deposits as discussed in Note 7 to the consolidated financial statements. These increases in accrued liabilities are offset by a \$23,538 decrease in deferred compensation, \$4,845 decrease in deferred revenue and \$16,023 decrease in other liabilities. Deferred rent decreased \$38,655 from \$293,335 at December 31, 2010 to \$254,680 at June 30, 2011. This decrease was related to the executed lease commitment of additional office space in the Company headquarters for which we negotiated deferred rental payments. The deferred rent balance began decreasing in November 2010 as the monthly cash payment to the office lessor began to exceed the straight line monthly expense booked in general and administrative expenses.

Net cash provided by investing activities was \$74,800 for the six months ended June 30, 2011, compared to net cash used in investing activities of \$167,395 for the six months ended June 30, 2010. Investing activities for the six months ended June 30, 2011 consisted primarily of the release of \$75,000 in deposits held by the merchant bank to cover potential losses by the bank from HDS customer cancellations. See further discussion in Note 2 to the consolidated financial statements.

Net cash provided by financing activities was \$371,244 for the six months ended June 30, 2011, compared to net cash provided by financing activities of \$1,062,797 for the six months ended June 30, 2010. Financing activities for the six months ended June 30, 2011 consisted primarily of the proceeds received from issuance of Series X Convertible preferred stock of \$198,000, proceeds of \$483,000 received from notes payable to related parties, offset by \$310,404 in payment of principal on notes payable, related party notes payable and subordinated debt. The Company did receive proceeds of \$648 from the exercise of stock options during the six months ended June 30, 2011.

As shown below, at June 30, 2011, our contractual cash obligations totaled approximately \$4,274,443, all of which consisted of operating lease obligations and debt principal repayment.

Contractual Obligations	Payments due by December 31,					Total
	2011	2012-2013	2014-2015	2016 & Thereafter		
Debt Obligations	\$ 919,929	\$ 1,501,000	\$ 0	\$ 0	\$ 2,420,929	
Operating Lease Obligations	\$ 390,881	\$ 1,548,496	\$ 438,607	\$ 0	\$ 2,377,984	
Total Contractual Cash Obligations	\$ 1,310,810	\$ 3,049,496	\$ 438,607	\$ 0	\$ 4,798,913	

The Company will need additional financing to fund additional material capital expenditures and to fully implement our business plan in a manner that not only continues to expand the already established direct-to-consumer approach, but also allows the Company to establish a stronger brand name in all the areas which it operates, including asset management and mortgage servicing of distressed asset sectors.

There are no assurances that additional financing will be available on favorable terms, or at all. If additional financing is not available, we will need to reduce, defer or cancel development programs, planned initiatives and overhead expenditures as a way to supplement the cash flows generated by operations. The failure to adequately fund the Company's capital requirements could have a material adverse effect on our business, financial condition and results of operations. Moreover, the sale of additional equity securities to raise financing will result in additional dilution to our stockholders, and incurring additional indebtedness could involve the imposition of covenants that restrict our operations. Management is trying to raise additional capital through sales of common stock as well as seeking financing from third parties, via both debt and equity, to balance the cash requirements and to finance specific capital projects.

Off Balance Sheet Transactions and Related Matters

Other than operating leases discussed in Note 15 to the consolidated financial statements, there are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have, a material effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. Our business is highly leveraged and, accordingly, is highly sensitive to fluctuations in interest rates. Any significant increase in interest rates could have a material adverse affect on our financial condition and ability to continue as a going concern.

Item 4T. Controls and Procedures.

As of the end of the period covered by this report, our principal executive officer and principal financial officer, evaluated the effectiveness of our “disclosure controls and procedures,” as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, we concluded that, as of the date of the evaluation, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our periodic filings under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the officers, to allow timely decisions regarding required disclosure. It should be noted that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company’s periodic reports.

During the period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Our limited operating history may not serve as an adequate basis to judge our future prospects and results of operations. The Company has a relatively limited operating history. Our limited operating history and the unpredictability of the consumer financial services industry make it difficult for investors to evaluate our business. An investor in our securities must consider the risks, uncertainties and difficulties frequently encountered by companies in rapidly evolving markets.

We will need additional financing to implement our business plan. The Company will need additional financing to fully implement its business plan in a manner that not only continues to expand an already established direct-to-consumer approach, but also allows the Company to establish a stronger brand name in all the area in which it operates, including mortgage servicing and distressed asset sectors. In particular, the Company will need substantial financing to:

- further develop its product and service lines and expand them into new markets;
- expand its facilities, human resources, and infrastructure;
- increase its marketing efforts and lead generation; and
- expand its business into purchasing and servicing distressed asset portfolios.

There are no assurances that additional financing will be available on favorable terms, or at all. If additional financing is not available, the Company will need to reduce, defer or cancel development programs, planned initiatives and overhead expenditures. The failure to adequately fund its capital requirements could have a material adverse effect on the Company’s business, financial condition and results of operations. Moreover, the sale of additional equity securities to raise financing will result in additional dilution to the Company’s stockholders, and incurring additional indebtedness could involve the imposition of covenants that restrict the Company’s operations.

Our products and services are subject to changes in applicable laws and regulations. The Company's business is particularly subject to changing federal and state laws and regulations related to the provision of financial services to consumers. In the current economic climate where consumer protection is paramount, the Company has already seen many regulatory changes particularly in debt settlement, mortgage and credit repair which had a substantial impact on the Company's operations. The Company's continued success depends in part on its ability to anticipate and respond to these changes, and the Company may not be able to respond in a timely or commercially appropriate manner. If the Company fails to adjust its products and services in response to changing legal and/or regulatory requirements, the ability to deliver its products and services may be hindered, which in turn could have a material adverse effect on the Company's business, financial condition and results of operations.

We rely on key executive officers, and their knowledge of our business and technical expertise would be difficult to replace. We are highly dependent on our executive officers. If one or more of the Company's senior executives or other key personnel are unable or unwilling to continue in their present positions, the Company may not be able to replace them easily or at all, and the Company's business may be disrupted. Such failure could have a material adverse effect on the Company's business, financial condition and results of operations.

We may never pay dividends to our common stockholders. The Company currently intends to retain its future earnings to support operations and to finance expansion and therefore the Company does not anticipate paying any cash dividends in the foreseeable future other than to holders of Halo Group preferred stock.

The declaration, payment and amount of any future dividends on common stock will be at the discretion of the Company's Board of Directors, and will depend upon, among other things, earnings, financial condition, capital requirement, level of indebtedness and other considerations the Board of Directors considers relevant. There is no assurance that future dividends will be paid on common stock or, if dividends are paid, the amount thereof.

Our common stock is quoted through the OTCQB, which may have an unfavorable impact on our stock price and liquidity. The Company's common stock is quoted on the OTCQB, which is a significantly more limited market than the New York Stock Exchange or NASDAQ. The trading volume may be limited by the fact that many major institutional investment funds, including mutual funds, follow a policy of not investing in Bulletin Board stocks and certain major brokerage firms restrict their brokers from recommending Over the Counter stock because they are considered speculative and volatile.

The trading volume of the Company's common stock has been and may continue to be limited and sporadic. As a result, the quoted price for the Company's common stock on the OTC Bulletin Board may not necessarily be a reliable indicator of its fair market value.

Additionally, the securities of small capitalization companies may trade less frequently and in more limited volume than those of more established companies. The market for small capitalization companies is generally volatile, with wide price fluctuations not necessarily related to the operating performance of such companies.

Our common stock is subject to price volatility unrelated to our operations. The market price of the Company's common stock could fluctuate substantially due to a variety of factors, including market perception of the Company's ability to achieve its planned growth, operating results of it and other companies in the same industry, trading volume of the Company's common stock, changes in general conditions in the economy and the financial markets or other developments affecting the Company or its competitors.

Our common stock is classified as a "penny stock."

Rule 3a51-1 of the Securities Exchange Act of 1934 establishes the definition of a "penny stock," for purposes relevant to us, as any equity security that has a minimum bid price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to a limited number of exceptions which are not available to us. It is likely that the Company's common stock will be considered a penny stock for the immediately foreseeable future.

For any transactions involving a penny stock, unless exempt, the penny stock rules require that a broker or dealer approve a person's account for transactions in penny stocks and the broker or dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience and objectives of the person and make a reasonable determination that the transactions in penny stocks are suitable for that person and that that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also provide disclosures to its customers, prior to executing trades, about the risks of investing in penny stocks in both public offerings and in secondary trading in commissions payable to both the broker-dealer and the registered representative, and the rights and remedies available to an investor in cases of fraud in penny stock transactions.

Because of these regulations, broker-dealers may not wish to furnish the necessary paperwork and disclosures and/or may encounter difficulties in their attempt to buy or sell shares of the Company's common stock, which may in turn affect the ability of Company stockholders to sell their shares.

Accordingly, this classification severely and adversely affects any market liquidity for the Company's common stock, and subjects the shares to certain risks associated with trading in penny stocks. These risks include difficulty for investors in purchasing or disposing of shares, difficulty in obtaining accurate bid and ask quotations, difficulty in establishing the market value of the shares, and a lack of securities analyst coverage.

We may continue to encounter substantial competition in our business. The Company believes that existing and new competitors will continue to improve their products and services, as well as introduce new products and services with competitive price and performance characteristics. The Company expects that it must continue to innovate, and to invest in product development and productivity improvements, to compete effectively in the several markets in which the Company participates. Halo's competitors could develop a more efficient product or service or undertake more aggressive and costly marketing campaigns than those implemented by the Company, which could adversely affect the Company's marketing strategies and could have a material adverse effect on the Company's business, financial condition and results of operations.

Important factors affecting the Company's current ability to compete successfully include:

- lead generation and marketing costs;
- service delivery protocols;
- branded name advertising; and
- product and service pricing.

In periods of reduced demand for the Company's products and services, the Company can either choose to maintain market share by reducing product service pricing to meet the competition or maintain its product and service pricing, which would likely sacrifice market share. Sales and overall profitability would be reduced in either case. In addition, there can be no assurance that additional competitors will not enter the Company's existing markets, or that the Company will be able to continue to compete successfully against its competition.

We may not successfully manage our growth. Our success will depend upon the expansion of our operations and the effective management of our growth, which will place significant strain on our management and our administrative, operational and financial resources. To manage this growth, we may need to expand our facilities, augment our operational, financial and management systems and hire and train additional qualified personnel. If we are unable to manage our growth effectively, our business would be harmed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

[31.1](#) Rule 13a-14(a) Certification of the Principal Executive Officer.

[31.2](#) Rule 13a-14(a) Certification of the Principal Financial Officer.

[32](#) Section 1350 Certifications.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 15, 2011

By: /s/ Brandon Cade Thompson

Brandon Cade Thompson
Chief Executive Officer
(Principal Executive Officer)

Date: August 15, 2011

By: /s/ Paul Williams

Paul Williams
Chief Financial Officer
(Principal Financial Officer)

Date: August 15, 2011

By: /s/ Robbie Hicks

Robbie Hicks
Vice President and Controller

Rule 13a-14(a) Certification of the Principal Executive Officer

I, Brandon Cade Thompson, chief executive officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Halo Companies, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2011

By: /s/ Brandon Cade Thompson
Brandon Cade Thompson
Chief Executive Officer
(Principal Executive Officer)

Rule 13a-14(a) Certification of the Principal Financial Officer

I, Paul Williams, chief financial officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Halo Companies, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2011

By: /s/ Paul Williams
Paul Williams
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Halo Companies, Inc. (the “Company”), each certify that, to his knowledge on the date of this certification:

1. The quarterly report of the Company for the period ended June 30, 2011 as filed with the Securities and Exchange Commission on this date (the “Report”) fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 15, 2011

By: /s/ Brandon Cade Thompson

Brandon Cade Thompson
Chief Executive Officer
(Principal Executive Officer)

Date: August 15, 2011

By: /s/ Paul Williams

Paul Williams
Chief Financial Officer
(Principal Financial Officer)
