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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

[_] 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	000-15862	13-3018466
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employee Identification No.)

18451 N. Dallas Parkway, Suite 100
Dallas, Texas 75287
(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 [X] 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 [X] 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 [X]

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

Yes [_] No [X]

State the number of shares outstanding of each of the issuer's classes of common equity, August 12, 2015: 48,562,750 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, 2015 (Unaudited)	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$ 37,386	$ 72,982
Trade accounts receivable, net of allowance for doubtful accounts of $0 and $375,665, respectively	121,773	141,634
Total current assets	159,159	214,616
PROPERTY, EQUIPMENT AND SOFTWARE, net	58,561	70,526
OTHER ASSETS	16,667	23,333
TOTAL ASSETS	$ 234,387	$ 308,475
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 724,985	$ 485,869
Accrued and other liabilities (including $209,953 and $166,992 to related parties, respectively)	1,833,490	915,900
Deferred revenue	81,100	1,800
Current portion of subordinated debt	33,333	31,250
Current portion of notes payable to related parties	1,052,355	959,365
Total current liabilities	3,725,263	2,394,184
SUBORDINATED DEBT, LESS CURRENT PORTION	75,000	85,000
NOTES PAYABLE TO RELATED PARTIES, LESS CURRENT PORTION	167,023	179,358
NOTE PAYABLE	1,945,476	1,805,000
DERIVATIVE LIABILITY	2,434	2,434
Total liabilities	5,915,196	4,465,976
SHAREHOLDERS' DEFICIT		
Series Z Convertible Preferred Stock, par value $0.01 per share; 82,508 shares authorized; 0 shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Preferred Stock, par value $0.001 per share; 917,492 shares authorized; 0 shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Series X Convertible Preferred Stock, par value $0.01 per share; 53,677 and 143,677 shares authorized; 53,677 and 143,677 shares issued and outstanding, liquidation preference of $536,770 and $1,436,770 at June 30, 2015 and December 31, 2014, respectively	537	1,437
Series E Convertible Preferred Stock, par value $0.001 per share; 100,000 shares authorized; 70,000 shares issued and outstanding at June 30, 2015 and December 31, 2014, liquidation preference of $700,000	70	70
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, 2015 and December 31, 2014, liquidation preference of $740,350	373	373
Series B Convertible Preferred Stock; 229,956 shares issued and outstanding at June 30, 2015 and December 31, 2014, liquidation preference of $608,629	230	230
Series C Convertible Preferred Stock; 124,000 shares issued and outstanding at June 30, 2015 and December 31, 2014, liquidation preference of $410,322	124	124
Common Stock, par value $0.001 per share; 375,000,000 shares authorized; 48,562,750 and 66,364,083 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	48,563	66,364
Additional paid-in capital	7,407,532	7,638,764
Accumulated deficit	(13,138,238)	(11,864,863)
Total shareholders' deficit	(5,680,809)	(4,157,501)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 234,387	$ 308,475

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, 2015	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
REVENUE (including $120,168, $114,680, $230,385 and $218,255 from related parties, respectively)	$ 505,148	$ 827,905	$ 1,998,665	$ 1,420,193
OPERATING EXPENSES				
Sales and marketing expenses	170,946	206,781	878,837	466,205
General and administrative expenses (including $86,780, $0, $133,560 and $0 to related parties, respectively)	211,329	194,173	442,361	375,664
Salaries, wages, and benefits	739,223	428,093	1,645,164	925,422
Total operating expenses	1,121,498	829,047	2,966,362	1,767,291
OPERATING INCOME (LOSS)	(616,350)	(1,142)	(967,697)	(347,098)
OTHER INCOME (EXPENSE)				
Gain on change in fair value of derivative	—	10,518	—	13,533
Interest expense (including $90,589, $27,260, $123,256 and $49,010 to related parties, respectively)	(176,456)	(103,671)	(292,534)	(196,466)
Net income (loss) from operations, before income tax provision	(792,806)	(94,295)	(1,260,231)	(530,031)
INCOME TAX PROVISION	13,144	22,125	13,144	22,125
NET INCOME (LOSS)	$ (805,950)	$ (116,420)	$ (1,273,375)	$ (552,156)
Loss per share:				
Basic and diluted	$ (0.02)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted Average Shares Outstanding				
Basic and diluted	48,559,417	66,364,083	57,463,417	66,364,083

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

Halo Companies, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
For the Six Months Ended June 30, 2015 and 2014
(Unaudited)

	Halo Companies, Inc. Common Stock		Halo Companies, Inc. Series X Convertible Preferred Stock		Halo Companies, Inc. Series E 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	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2013	66,364,083	$ 66,364	143,677	$ 1,437	70,000	$ 70	372,999	$ 373	229,956	$ 230	124,000	$ 124	$ 7,638,764	$ (10,600,783)	$ (2,893,421)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(552,156)	(552,156)
Balance at June 30, 2014	66,364,083	$ 66,364	143,677	$ 1,437	70,000	$ 70	372,999	$ 373	229,956	$ 230	124,000	$ 124	$ 7,638,764	$ (11,152,939)	$ (3,445,577)
Balance at December 31, 2014	66,364,083	$ 66,364	143,677	$ 1,437	70,000	$ 70	372,999	$ 373	229,956	$ 230	124,000	$ 124	$ 7,638,764	$ (11,864,863)	$ (4,157,501)
Redemption of Series X Convertible Preferred Stock per settlement agreement (FN 16)	—	—	(90,000)	(900)	—	—	—	—	—	—	—	—	(249,100)	—	(250,000)
Issuance of Common Shares	6,667	7	—	—	—	—	—	—	—	—	—	—	60	—	67
Cancellation of Common Shares per settlement agreement (FN 16)	(17,808,000)	(17,808)	—	—	—	—	—	—	—	—	—	—	17,808	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,273,375)	(1,273,375)
Balance at June 30, 2015	48,562,750	$ 48,563	53,677	$ 537	70,000	$ 70	372,999	$ 373	229,956	$ 230	124,000	$ 124	$ 7,407,532	$ (13,138,238)	$ (5,680,809)

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

Halo Companies, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2015 and 2014
(Unaudited)

	June 30, 2015	June 30, 2014
CASH FLOWS FROM OPERATIONS		
Net (loss) income	$ (1,273,375)	$ (552,156)
Adjustments to reconcile net loss to net cash		
used in operating activities:		
Depreciation	11,965	28,659
Amortization of loan origination costs	6,666	6,667
Capitalization of interest into note payable and notes payable to related parties	146,131	120,772
Bad debt expense	1	92
Gain on change in fair value of derivative	—	(13,533)
Note receivable write off	50,000	—
Changes in operating assets and liabilities:		
Accounts receivable	19,860	(122,321)
Other assets	—	2,922
Accounts payable	(10,884)	(7,178)
Accrued and other liabilities	917,590	270,755
Deferred rent	—	(127,012)
Deferred revenue	79,300	875
Net cash used in operating activities	(52,746)	(391,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in affiliate	(50,000)	—
Net cash used in investing activities	(50,000)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable to related parties	100,000	405,000
Principal payments on notes payable to related parties	(25,000)	(6,117)
Principal payments on subordinated debt	(7,917)	(2,917)
Proceeds received from issuance of common stock	67	—
Net cash provided by financing activities	67,150	395,966
Net (decrease) increase in cash and cash equivalents	(35,596)	4,508
CASH AND CASH EQUIVALENTS, beginning of period	72,982	127,048
CASH AND CASH EQUIVALENTS, end of period	$ 37,386	$ 131,556
SUPPLEMENTAL INFORMATION		
Cash paid for taxes - Texas Margin Tax	$ 13,144	$ —
Cash paid for interest	$ 88,075	$ 42,308
NONCASH SUPPLEMENTAL INFORMATION		
Cancellation of stock for settlement payment	$ 250,000	$ —

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

NOTE 1. ORGANIZATION AND RECENT DEVELOPMENTS

Halo Companies, Inc. (“Halo”, “HCI” or the “Company”) was incorporated under the laws of the State of Delaware on December 9, 1986. Its principal executive offices are located at 18451 N. Dallas Parkway, Suite 100, Dallas, Texas 75287. On December 15, 2014, the Company moved from its previous office location at 7668 Warren Parkway, Suite 350, Frisco, Texas 75034.

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 has multiple wholly-owned subsidiaries including Halo Group Inc. (“HGI”), Halo Asset Management, LLC (“HAM”), Halo Portfolio Advisors, LLC (“HPA”), and Halo Benefits, Inc. (“HBI”). HGI is the management and shared services operating company. HAM provides asset management and mortgage servicing services to investors and asset owners including all aspects of buying and managing distressed real estate owned (“REO”) and non-performing loans. HPA exists to market the Company’s operations as a turnkey solution for strategic business to business opportunities with HAM’s investors and asset owners, major debt servicers and field service providers, lenders, and mortgage backed securities holders. HBI was originally established as an association benefit services to customers throughout the United States and although a non-operating entity, remains a subsidiary due to its historical net operating loss carryforward.

During March 2015, the Company entered into a $250,000 compromise and settlement agreement with the court appointed receivership holding 17,808,000 shares of the Company’s common stock. This stock was subject to the unearned “clawback” provisions discussed in Note 16 below. The physical stock certificate has been sent to the Company’s transfer agent to immediately cancel those respective outstanding shares of that Agreement. Further, this settlement agreement calls for a relinquishment and abandonment of any and all claims against Halo on 90,000 shares of the Company’s Series X Preferred stock belonging to the receivership (original liquidation value of $10 per share). Lastly, the Company had $375,665 in accounts receivable owed from the receivership which had previously been fully reserved. With the settlement now in place, the Company wrote off this accounts receivable balance and released the allowance reserve held. The Settlement requires $250,000 to be paid by the Company to the receivership over a twelve month period with the start date April 1, 2015. As the receivership owed the Company $22,500 for success fees previously earned (this receivable was not part of the $375,665 in fully reserved accounts receivable noted above), the first $22,500 of the $250,000 owed was settled via a reduction of the $22,500 accounts receivable balance for the April 1 and part of the May 1, 2015 scheduled payments.

During March 2015, an additional 1,272,000 shares of the company’s common stock, all subject to the clawback provisions of the Agreement (defined in Note 16), have also been sent to the Company’s transfer agent to immediately cancel those respective common shares of that Agreement but as of the time of this filing those shares have not yet been canceled. The Company expects that to happen shortly. Secondarily, the Company is actively pursuing the procurement of an additional physical certificate from a respective individual still in possession of the common stock certificate. As of the time of this Form 10-Q, 3,392,000 of the 21,200,000 shares issued as part of the Agreement remain outstanding.

On March 27, 2015, Jimmy Mauldin was elected to the Board of Directors to fill the vacancy left by Tony Chron’s departure.

On March 27, 2015, Paul Williams has been appointed to serve as Chief Financial Officer of the Company. Mr. Williams currently serves as Vice Chairman of the Board, Treasurer and Assistant Secretary of the Company.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are unaudited; however, in the opinion of management, all adjustments considered necessary for fair presentation of the results of the interim periods have been included (consisting of normal recurring accruals). The accompanying consolidated financial statements as of June 30, 2015, and for the three and six months ended June 30, 2015 and 2014, include the accounts of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim information. Accordingly, the financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K. The results of operations for the three and six months ended June 30, 2015, are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Revenue Recognition, Accounts Receivable and Deferred Revenue

The Company recognizes revenue in the period in which services are earned and realizable. To further understand the Company's business, HAM earns fees from its clients for its boarding and initial asset management fee, success fees, and its monthly servicing fee. The boarding and initial asset management services are performed in the first 30-60 days of assets being boarded and include; IRR analysis of loans boarded, detailed asset level workout exit strategy analysis, boarding the assets onto HAM's proprietary software platform and the integrated servicing platform, identification and oversight of custodial files, oversight of mortgage/deed assignment from previous servicer, oversight of title policy administration work, and delinquent property tax research and exposure review. HAM's monthly success fees are earned for completing its default and asset disposition services including note sales, originating owner finance agreements, and cash sales of REO properties owned by the client. HAM's servicing fees are earned monthly and are calculated on a monthly unit price for assets under management.

The Company is currently exploring potential opportunities with several client relationships that would allow the Company to implement its internally used asset management software platform as an external service for those customers. This is commonly known as Software as a Service ("SaaS"). The Company entered into a SaaS contract with one client who prepaid for a 12 month service plan during early 2015. Cash receipts from customers in advance of revenue recognized are recorded as deferred revenue and will be earned over the entire SaaS contract period. The Company is still in its research phase of determining if this service line will remain ancillary or become a primary business component of the Company.

HAM and HPA receivables are typically paid the month following services performed. As of June 30, 2015 and 2014, the Company's accounts receivable are made up of the following percentages; HAM at 47% and 91% and HPA at 53% and 9%, respectively.

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 actual 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. The below table summarizes the Company's allowance for doubtful accounts as of June 30, 2015 and December 31, 2014:

	Balance at Beginning of Period	Increase in the Provision	Accounts Receivable Write-offs	Balance at End of Period
Six Months ended June 30, 2015				
Allowance for doubtful accounts	$ 375,665	$ 1	$ 375,666	$ 0
Year ended December 31, 2014				
Allowance for doubtful accounts	$ 375,665	$ 135	$ 135	$ 375,665

As of December 31, 2014, the Company's allowance for doubtful accounts is made up of the following percentages; HAM at 96% and HPA at 4%, respectively. The HAM and HPA allowance was related to one client in a court appointed receivership. As discussed in Note 1 above, the March 2015 settlement agreement entered into by the Company and the receivership did not pay the fully reserved accounts receivable. As such, the accounts receivable balance was written off and the allowance for doubtful accounts was fully reduced to zero.

Net Income (Loss) Per Common Share

Basic net income (loss) per share is computed by dividing (i) net income (loss) 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, 2015 and 2014, there were 4,623,959 and 4,596,126 shares, respectively, underlying potentially dilutive convertible preferred stock and stock options outstanding. These shares were not included in dilutive weighted average shares outstanding for the three and six months ended June 30, 2015 and 2014 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 GAAP 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 and derivative liabilities.

Principles of Consolidation

The consolidated financial statements of the Company for the three and six months ended June 30, 2015 and 2014 include the financial results of HCI, HGI, HBI, HPA and HAM. 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.

Other Assets

At June 30, 2015, other assets were $16,667 ($40,000 in total origination fees paid offset by $23,333 in accumulated amortization of those fees) for the senior unsecured promissory note discussed in Note 9. The fees are to be amortized over the life of the promissory note. At December 31, 2014, other assets were $23,333 ($40,000 in total origination fees offset by $16,667 in accumulated amortization) for the senior unsecured promissory note.

Property, Equipment and Software

Property, equipment, and software are stated at cost. Depreciation 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 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 other general and administrative expenses.

Fair Value of Financial Instruments

The carrying value of trade accounts receivable, accounts payable, and accrued and other liabilities approximate fair value due to the short maturity of these items. The estimated fair value of the notes payable and subordinated debt approximates the carrying amounts as they bear market interest rates.

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 the 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 Accounting Standards Codification ("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 the Company's subsidiaries. The Company accounts for computer software used in the business in accordance with ASC 350 "Intangibles-Goodwill and Other". 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 and six months ended June 30, 2015 and 2014.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740 "Income Taxes". 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 sheets.

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.) 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 and six months ended June 30, 2015 or 2014.

The Company incurred no penalties or interest for taxes for the three and six months ended June 30, 2015 or 2014. The Company is subject to a three year statute of limitations by major tax jurisdictions for the fiscal years ended December 31, 2011, 2012 and 2013. The Company files income tax returns in the U.S. federal jurisdiction.

Recent Accounting Standards

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers ("*ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP.

The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2018.

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 the three and six months ended June 30, 2015, the FDIC insured deposit accounts up to $250,000. At June 30, 2015, the Company's cash accounts were all less than the $250,000 FDIC insured amount and as such were insured in full.

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. OPERATING SEGMENTS

The Company has several operating segments as listed below and as defined in Note 1. The results for these operating segments are based on our internal management structure and review process. We define our operating segments by service industry. If the management structure and/or allocation process changes, allocations may change. See the following summary of operating segment reporting;

Operating Segments	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue:				
Halo Asset Management	$ 275,820	$ 579,902	$ 516,719	$ 882,419
Halo Portfolio Advisors	199,184	248,003	1,378,052	537,774
Other	30,144	—	103,894	—
Net revenue	$ 505,148	$ 827,905	$ 1,998,665	$ 1,420,193
Operating income (loss):				
Halo Asset Management	$ 196,685	$ 392,799	$ 316,112	$ 432,412
Halo Portfolio Advisors	42,957	39,668	516,295	85,651
Other	—	—	—	—
Less: Corporate expenses (a)	(1,045,592)	(548,887)	(2,105,782)	(1,070,219)
Operating income (loss):	$ (805,950)	$ (116,420)	$ (1,273,375)	$ (552,156)

a. Corporate expenses include salaries, benefits and other expenses, including rent and general and administrative expenses, related to corporate office overhead and functions that benefit all operating segments. Corporate expenses also include interest expense. Corporate expenses are expenses that the Company does not directly allocate to any segment above. Allocating these indirect expenses to operating segments would require an imprecise allocation methodology. Further, there are no material amounts that are the elimination or reversal of transactions between the above reportable operating segments.

The assets of the Company consist primarily of cash, trade accounts receivable, and property, equipment and software. Cash is managed at the corporate level of the Company and not at the segment level. Each of the remaining primary assets has been discussed in detail, including the applicable operating segment for which the assets and liabilities reside, in the consolidated notes to the financial statements. As such, the duplication is not warranted in this footnote.

All debt of the Company is recorded at the corporate parent companies HCI and HGI. All interest expense is included in corporate expenses above. Interest expense is discussed in further detail in Notes 8, 9, 10 and 11.

For the three and six months ended June 30, 2015 or 2014, there have been no material transactions between reportable units that would materially affect an operating segment profit or loss. Intercompany transactions are eliminated in the consolidated financial statements.

NOTE 5. GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the Company will need to manage additional asset units under contract and/or additional financing to fully implement its business plan, including continued growth and establishment of a stronger brand name of HAM's asset management in the distressed asset sector.

The Company is actively seeking growth of its asset units under management, both organically and via new client relationships. Management, in the ordinary course of business, is trying to raise additional capital through sales of common stock as well as seeking financing via equity or debt, or both from third parties. 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 an increased debt service cash obligation, the imposition of covenants that restrict the Company operations or the Company's ability to perform on its current debt service requirements. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company has incurred an accumulated deficit of $13,138,238 as of June 30, 2015. However, of the accumulated deficit, $2,110,748 of expense was incurred as stock-based compensation, $592,729 in depreciation expense, and $279,241 in impairment loss on investment in portfolio assets, all of which are noncash expenses. Further, $906,278 of the accumulated deficit is related to the issuance of stock dividends, also non cash reductions. The $3,888,996 total of these non-cash retained earnings reductions represents 30% of the total deficit balance.

NOTE 6. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following as of June 30, 2015 and December 31, 2014, respectively:

Computers and purchased software	$	147,800	$	158,899
Furniture and equipment		203,427		203,427
		351,227		362,326
Less: accumulated depreciation		(292,666)		(291,800)
	$	58,561	$	70,526

Depreciation totaled $5,742, $11,965, $14,286 and $28,659 for the three and six months ended June 30, 2015 and 2014, respectively. The Company retired $11,099 of fully depreciated assets during the six months ended June 30, 2015, and as such there was no financial statement impact from the retired assets.

NOTE 7. ACCRUED AND OTHER LIABILITIES

The Company had $1,833,490 in accrued liabilities at June 30, 2015. Included in this accrual is $444,418 in accrued interest ($234,825 of this balance is related to interest on the secured asset promissory note discussed in more detail in Note 11). The accrual also includes $659,567 in deferred compensation and $729,505 in wages payable to several senior management personnel. The Company had $915,900 in accrued liabilities at December 31, 2014. Included in this accrual is $392,756 in accrued interest ($223,987 of this balance is related to interest on the secured asset promissory note discussed in more detail in Note 12) and $523,144 in deferred compensation to several senior management personnel.

NOTE 8. NOTES PAYABLE TO RELATED PARTIES

During March 2011, the Company entered into one unsecured promissory note with a related party (a previous company director) in the amount of $250,000 (the "2011 Related Party Note"). The 2011 Related Party Note had a fixed interest amount of $50,000 and a maturity date of July 31, 2011. On September 20, 2011, the 2011 Related Party Note was amended to include the 2011 Related Party Note plus $52,426 of accrued interest for a total note balance of $302,426. The 2011 Related Party Note has a 6% interest rate and is a monthly installment note with final balloon payment at maturity in September 2014. At the time of the filing of these consolidated financial statements, the Company and the related party had not finalized an extended maturity date, and as such the entire $191,809 2011 Related Party Note balance is included in current portion of notes payable to related parties as of June 30, 2015. As of December 31, 2014, the 2011 Related Party Note was $186,154, all of which is included in current portion of notes payable to related parties.

On September 1, 2011, several previous related party notes totaling $370,639 were amended and consolidated ("the 2011 Consolidated Related Party Note"). This note bears interest of 6% and has a maturity date of September 15, 2016. As of December 31, 2014, the 2011 Consolidated Related Party Note balance was $267,569, of which $88,211 is included in current portion of notes payable to related parties. As of June 30, 2015, the 2011 Consolidated Related Party Note balance was $267,569, of which $100,546 is included in current portion of notes payable to related parties.

As of December 31, 2014, a Company director had an outstanding advance to the Company of $500,000 for short term capital. As of June 30, 2015, the outstanding advance balance was $500,000. At the time of the filing of these consolidated financial statements, the Company and the director had not finalized a maturity date for the advance repayment, and as such the entire balance is included in current portion of notes payable to related parties. Through March 31, 2015, the advance accrued interest at a rate of 15%. Effective in April 2015, the advance began accruing interest at a flat rate of $25,000 per month.

As of December 31, 2014, the Company's President and Chief Legal Officer had an outstanding advance balance of $70,000 for short term capital. During the six months ended June 30, 2015, the Company received advances of $100,000 and made $25,000 in principal advance repayments. As of June 30, 2015, the outstanding advance balance was $145,000. At the time of the filing of these consolidated financial statements, the Company and the President had not finalized a maturity date for the advance repayment, and as such the entire balance is included in current portion of notes payable to related parties. The advance accrued interest at a rate of 15%.

As of December 31, 2014, the Company's CEO and Director of the Board had an outstanding advance balance of $115,000 for short term capital. As of June 30, 2015, the outstanding advance balance was $115,000. At the time of the filing of these consolidated financial statements, the Company and the CEO had not finalized a maturity date for the advance repayment, and as such the entire balance is included in current portion of notes payable to related parties. The advance accrued interest at a rate of 15%.

As of June 30, 2015, the notes payable to related party balance totaled $1,219,378, of which $1,052,355 is included in current portion of notes payable to related parties in the consolidated financial statements. As of December 31, 2014, the notes payable to related party balance totaled $1,138,723, of which $959,365 is included in current portion of notes payable to related parties in the consolidated financial statements.

The Company incurred $90,589, $123,256, $27,260 and $49,010 of interest expense to directors, officers, and other related parties during the three and six months ended June 30, 2015 and 2014, respectively. Accrued interest due to directors and other related parties totaled $209,953 at June 30, 2015, all of which is included in accrued and other current liabilities. Accrued interest due to directors and other related parties totaled $166,992 at December 31, 2014, all of which is included in accrued and other current liabilities.

NOTE 9. NOTE PAYABLE

In October 2013, the Company entered into a senior unsecured convertible promissory note agreement of $1,500,000. The terms of the note include an interest rate of 15% with a maturity date of October 10, 2016. The Company, although not required, is entitled to capitalize any accrued interest into the outstanding principal balance of the note up until maturity. At the maturity date, all unpaid principal and accrued interest is due. As part of the promissory note, the Company was required to pay origination fees and expenses associated with this note agreement (discussed in Other Assets Note 2), pay the subordinated debt originated in January 2010, pay $375,000 to a related party note held by a director, with the remaining use of proceeds for general corporate purposes including payment of deferred compensation to several management personnel. Additionally, the noteholder has the right, but not the obligation, to convert up to $1,000,000 of the principal balance of the note into common shares of the Company. The $1,000,000 maximum conversion ratio would entitle the noteholder to a maximum total of 10% of the then outstanding common stock of the Company, calculated on a fully diluted basis. Any conversion of the principal amount of this note into common stock would effectively lower the outstanding principal amount of the note. As of June 30, 2015, the note payable balance was $1,945,476, which includes capitalized interest of $445,476. As of December 31, 2014, the note payable balance was $1,805,000, which includes capitalized interest of $305,000.

NOTE 10. SUBORDINATED DEBT

During January 2010, the Company authorized a $750,000 subordinated debt offering ("Subordinated Offering"), which consisted 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 was December 31, 2013. In October 2013, the Company entered into a senior unsecured convertible promissory note (discussed in Note 9) which required the use of those financing proceeds to pay down the subordinated debt. As such, as of December 31, 2013, the remaining balance was $0.

As part of the Subordinated Offering, the Company granted 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 $0.01 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. A total of 112,000 warrants were issued. The Warrants shall have a term of seven years, exercisable from January 31, 2015 to January 31, 2017. During 2015, 6,667 of the 112,000 warrants were purchased for $67 and converted to common stock.

The Company follows the provisions of ASC 815, "Derivatives and Hedging". 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 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 was amortized into interest expense using the effective interest method. As of December 31, 2013, the balance of the debt discount was $0 (fully amortized). Subsequent changes to the marked-to-market value of the derivative liability are recorded in earnings as derivative gains and losses. As of June 30, 2015 and December 31, 2014, there were 105,333 and 112,000 warrants outstanding, respectively, with a derivative liability of $2,434. The Warrants were valued using the Black-Scholes model, which resulted in the fair value of the warrants at $0.02 per share using the following assumptions:

	June 30, 2015
Risk-free rate	0.69%
Expected volatility	719%
Expected remaining life (in years)	1.59
Dividend yield	0.00%

During August 2012, the Company entered into an additional $25,000 subordinated term note with a then current holder of the Company's subordinated debt. The note pays an 18% coupon rate with a maturity date of August 31, 2015. There are no warrants associated with this subordinated term note. Repayment terms of the note included interest only payments through February 28, 2013. 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 the holder of this note is 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. As of June 30, 2015, the remaining balance of this note totals $13,333, all of which is included in current portion of subordinated debt. As of December 31, 2014, the remaining balance of this note totals $16,250, all of which is included in current portion of subordinated debt.

During October 2014, the Company entered into an additional $100,000 subordinated term note with the current holder of the Company's subordinated debt. The note pays an 18% coupon rate with a maturity date of September 30, 2017. There are no warrants associated with this subordinated term note. Repayment terms of the note include interest only payments through March 31, 2015. 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 the holder of this note is 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 $3,500,000, and liens granted by the Company in connection with the purchase of furniture, fixtures or equipment. As of June 30, 2015, the remaining balance of this note totals $95,000, of which $20,000 is included in current portion of subordinated debt. As of December 31, 2014, the remaining balance of this note totals $100,000, of which $15,000 is included in current portion of subordinated debt.

NOTE 11. 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 Offering generated $1,200,000 in proceeds. Of the $1,200,000 in proceeds received in December 2010, $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 consisted of a 25% coupon. In May 2013, the Secured Asset Promissory Note was paid in full, along with $150,000 of the outstanding accrued interest balance. Halo and the secured asset promissory note holder agreed to include the remaining accrued interest in a promissory note due December 31, 2014. The promissory note will accrue interest at a 10% annual rate, with interest only payments due periodically and final balloon payment due at maturity. At the time of the filing of these consolidated financial statements, the Company and note holder have not finalized an extended maturity date. As such, as of June 30, 2015, the entire accrued interest balance of $234,825 is included in current portion of accrued interest. As of December 31, 2014, the entire accrued interest balance of $223,987 is included in current portion of accrued interest. For the three and six months ended June 30, 2015 and 2014, the Company incurred $5,419, $10,838, $5,419 and $10,838, respectively, in interest expense on the note.

NOTE 12. RELATED PARTY TRANSACTIONS

For the three and six months ended June 30, 2015 and 2014, HAM recognized monthly servicing fee revenue totaling $120,168, $230,385, $114,680 and $218,255, respectively, from an entity that is an affiliate of the Company. Further, facilities rent expense discussed in Note 14 was expensed and paid to the same affiliate. Additionally, for the three and six months ended June 30, 2015, the Company incurred $50,000 and $50,000, respectively, in the write off of a note receivable it invested during the three months ended June 30, 2015 in the same affiliate of the Company. The write off is included in general and administrative expenses on the consolidated statements of operations and discussed further in section Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations below.

For the three and six months ended June 30, 2015 and 2014, the Company incurred interest expense to related parties (See Note 8).

For the three and six months ended June 30, 2015 and 2014, the Company incurred $0, $20,000, $0 and $0, respectively, in commission expense to an entity that is an affiliate of the Company.

For the three and six months ended June 30, 2015 and 2014, the Company incurred $15,000, $20,000, $0 and $0, respectively, in consulting expense to an entity that is an affiliate of the Company.

NOTE 13. INCOME TAXES

For the three and six months ended June 30, 2015 and 2014, the effective tax rate of -2%, -1%, -23% and -4% varies from the U.S. federal statutory rate primarily due to state income taxes, net losses, certain non-deductible expenses and an increase in the valuation allowance associated with the net operating loss carryforwards. Our deferred tax assets related to 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, 2015, 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 $6,900,000 available for federal income tax purposes, which expire from 2024 to 2034. Separately, because of the changes in ownership that occurred on June 30, 2004 and September 30, 2009, prior to GVC merging with HCI, and based on the Section 382 Limitation calculation, the Company will be allowed approximately $6,500 per year of GVC Venture Corp.'s federal NOLs generated prior to June 30, 2004 until they would otherwise expire. The Company would also be allowed approximately $159,000 per year of GVC Venture Corp.'s federal NOLs generated between June 30, 2004 and September 30, 2009 until they would otherwise expire.

NOTE 14. COMMITMENTS AND CONTINGENCIES

The Company leases very limited office equipment, each under a non-cancelable operating lease providing for minimum monthly rental payments. In relation to its office facilities, the Company has not entered into any additional office lease whereby it is contractually committed. The Company currently pays for its office space on a month to month basis, and will continue to do so for the foreseeable future.

Future minimum rental obligations as of June 30, 2015 are as follows:

Years Ending December 31:		
2015	$	3,696
Thereafter		3,696
Total minimum lease commitments	$	7,392

For the three and six months ended June 30, 2015 and 2014, the Company incurred facilities rent expense totaling $21,780, $43,560, $29,751 and $59,493, respectively.

In the ordinary course of conducting its business, the Company may be subject to loss contingencies including possible disputes or lawsuits. The Company notes the following:

The Company and certain of its affiliates, officers and directors have been named as defendants in an action filed on December 12, 2011 in the 191st District Court of Dallas County, Texas. The Plaintiffs allege that the Company has misappropriated funds in connection with offerings of securities during 2010 and 2011. The complaint further alleges that Defendants engaged in fraudulent inducement, negligent misrepresentation, fraud, breach of fiduciary duty, negligence, breach of contract, unjust enrichment, conversion, violation of the Texas Securities Act, and civil conspiracy. The Plaintiffs amended their Petition on April 24, 2012 and dropped the conversion and civil conspiracy claims. The action seeks an injunction and a demand for accounting along with damages in the amount of $4,898,157. The Company has taken the position that the Plaintiff's claims have no merit, and accordingly is defending the matter vigorously. Defendants have filed a general denial of the claims as well as a Motion to Designate Responsible Third Parties whom Defendants believe are responsible for any damages Plaintiffs may have incurred. Defendants have also filed a Motion for Sanctions against the Plaintiffs and their counsel arguing, among other things, that (i) Plaintiffs' claims are "judicially stopped" from moving forward by virtue of the fact that the same Plaintiffs previously filed suit against separate entities and parties with dramatically opposed and contradicting views and facts; (ii) Plaintiffs have asserted claims against Defendants without any basis in law or fact; and (iii) Plaintiffs have made accusations against Defendants that Plaintiffs know to be false. Additionally, Defendants have filed a no evidence Motion for Summary Judgment which was scheduled to be heard in October of 2012. The Plaintiffs requested and were granted a six month continuance on the hearing of that motion. The Plaintiffs have also filed a Motion to Stay the case pending the outcome of the Company's lawsuit with the insurance companies which the Company has opposed. Initially the motion to stay was granted and Defendants moved for reconsideration. The parties were alerted that the court had reversed the Stay on appeal. The no evidence Motion for Summary Judgment was heard on August 9, 2013. Prior to the hearing, the Plaintiff's filed a 3rd Amended Petition in which they dropped any claim of fraud including fraudulent inducement, fraud, conversion and civil conspiracy and added a new "control person" claim which was not subject to the no evidence Motion for Summary Judgment heard on August 9, 2013. On September 25, 2013, Defendants no evidence Motion for Summary Judgment was granted in its entirety. Defendants subsequently filed a no evidence Motion for Summary Judgment on the final remaining "control person" claim which was heard before the court on October 21, 2013. On December 18, 2013 a final Order Granting Defendant's Second No-Evidence Motion of Final Summary Judgment was signed. The Plaintiff's subsequently filed a motion for new trial. Following a hearing, the Plaintiff's motion for new trial was denied by operation of law. The Plaintiff's Filed a Notice of Appeal on March 11, 2014. The Plaintiffs have requested multiple extensions to their time to file their brief on the Appeal. After having multiple extensions granted, the Plaintiff's requested that the Appeals court stay the Appeal pending the outcome of the Company's approved settlement agreement with the court appointed Receiver for James G. Temme and Stewardship Fund, LLC, appointed by the Federal Court in the Eastern District of Texas. On September 16, 2014 the Sixth Appellate District Court of Appeals of Texas issued an order abating the Plaintiff's appeal pending a final determination by the federal courts of an order issued by the federal district court in a separate action directing the Plaintiff's, among others, not to further pursue this separate litigation. For administrative purposes, this case is abated and will be treated as closed. Any party may seek reinstatement by promptly filing a motion with the Sixth Appellate District Court of Appeals of Texas showing that the injunction or order of the federal court no longer restricts pursuit of this litigation and specifying what further action, if any, is required from the Court.

As noted above, the Company, in conjunction with its Directors and Officers insurance carrier, is defending the matter vigorously. Based on the facts alleged and the proceedings to date, the Company believes that the Plaintiffs' allegations will prove to be false, and that accordingly, it is not probable or reasonably possible that a negative outcome for the Company or the remaining Defendants will occur. As with any action of this type the timing and degree of any effect upon the Company are uncertain. If the outcome of the action is adverse to the Company, it could have a material adverse effect on our business prospects, financial position, and results of operation.

The Company and certain of its affiliates, officers and directors named as defendants in an insurance action filed on April 27, 2012 in the United States District Court for the Northern District of Texas. The Plaintiffs allege that it had no duty to indemnify the Company, its affiliates, officers or directors because the claims set forth in the lawsuit mentioned herein above were not covered by the insurance policy issued by Plaintiff in favor of Defendants. The action sought declaratory judgment that the Plaintiff had no duty to indemnify the Defendants pursuant to the insurance policy that Defendants purchased from Plaintiff. The Company took the position that Plaintiff's claim had no merit, and defended the matter vigorously. Additionally, Defendants filed a counterclaim against the insurer alleging breach of contract, violation of the Texas Insurance Code and violation of the duty of good faith and fair dealing. On March 12, 2013, Plaintiff and Defendants entered into an agreement whereby Plaintiff's and Defendant's claims, are to be dismissed without prejudice while the underlying liability suit in the 191st District Court of Dallas County proceeds. An Agreed Motion to Dismiss Without Prejudice was filed on March 12, 2013, and the parties are awaiting the court's entry of the Agreed Order of Dismissal Without Prejudice.

As noted above, the Company has defended this matter vigorously. Based on the status of the litigation, it is not probable or reasonably possible that a negative outcome for the Company or the remaining Defendants will occur. As with any action of this type the timing and degree of any effect upon the Company are uncertain. If the outcome of the action is adverse to the Company, it could have a material adverse effect on our financial position.

The Company and certain of its affiliates, officers and directors have been named as defendants in an action filed on July 19, 2012 in the United States District Court for the Northern District of Texas. The Plaintiff alleges that it has no duty to defend or indemnify the Company, its affiliates, officers or directors because the claims set forth in the lawsuit mentioned herein above are not covered by the insurance policy written by Plaintiff in favor or Defendants. The action seeks declaratory judgment that the Plaintiff has no duty to defend or indemnify the Defendants pursuant to the insurance policy that Defendants purchased from Plaintiff. Initially, the Company took the position that Plaintiff's claims had no merit, and defended the matter vigorously. Additionally, Defendants filed a counterclaim against the insurer alleging breach of contract, violation of the Texas Insurance Code and violation of the duty of good faith and fair dealing. Plaintiff has filed a Motion for Summary Judgment seeking a judgment that it owes no duty to defend or indemnify Defendants. After careful consideration, Defendants decided not to oppose the Motion for Summary Judgment and a response in opposition was not filed. The Motion for Summary Judgment was granted in part and the remaining matter remains pending before the court.

Based on the current status of the litigation, the Company believes it is not probable or reasonably possible that a negative outcome for the Company or the remaining Defendants will occur. As with any action of this type the timing and degree of any effect upon the Company are uncertain. If the outcome of the action is adverse to the Company, it could have a material adverse effect on our financial position.

NOTE 15. 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, 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 of June 30, 2015, 438,300 option shares have been exercised. Total stock options outstanding as of June 30, 2015 total 170,000. The weighted average remaining contractual life of the outstanding options at June 30, 2015 is approximately 2.25 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, 2013	681,700	$	0.01 – 1.59	$	1.00
Granted	—		—		—
Exercised	—		—		—
Canceled	(511,700)		0.94 – 1.59		1.06
Outstanding at December 31, 2014	170,000	$	0.01	$	0.01
Granted	—		—		—
Exercised	—		—		—
Canceled	—		—		—
Outstanding at June 30, 2015	170,000	$	0.01	$	0.01

All stock options granted under the Plan and as of June 30, 2015 became exercisable upon the occurrence of the merger that occurred on September 30, 2009. As such, equity-based compensation for the options was recognized in earnings from issuance date of the options over the vesting period of the options effective December 31, 2009.

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, 2015, 20,000 shares had previously been granted (all granted in the year ended December 31, 2012) under the 2010 Stock Plan with an exercise price of $0.34 per option. These are the only shares that have been issued under the 2010 Stock Plan. The shares granted vested immediately and can become exercisable for so long as the Company remains a reporting company under the Securities Exchange Act of 1934. As of June 30, 2015, none of the shares issued under the 2010 Stock Plan have been exercised.

NOTE 16. SHAREHOLDERS' (DEFICIT) EQUITY

Common Stock

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, $0.001 par value, of the Company. The Agreement did not constitute a business combination.

The Company issued 7,500,000 shares of Halo common stock in exchange for $3,000,000 in debt or equity capital. The aggregate of 7,500,000 shares of Halo common stock was 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 had the right to claw back 2.5 shares of Halo common stock for every dollar not raised within the twelve months. Any cash generated by EAM would have needed 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 stock 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 stock was 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 had 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 was generated, the clawback rights would 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. 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 would have been determined and recorded.

As mentioned above, the Agreement provides for "clawback" provisions, pursuant to which all of the shares of Halo Common Stock issued to the member of EAM are subject to forfeiture in the event certain financial metrics are not timely achieved. The financial metrics call for significant cash generation by EHF within the first 12 months, and within the first 24 months following the closing date. We refer you to Section 2(b)(i) and (ii) of the Agreement, for the specifics of the clawback provisions. As of December 31, 2012, no cash was generated by EHF. The times to meet both the 12 month and 24 month financial metrics have lapsed and the metrics have not been met. Based upon the events that have transpired, and the lack of progress toward the financial metrics, the Company demanded that the recipients of the shares of Halo Common Stock give effect to both clawback provisions and immediately forfeit back all of the Halo shares issued to such recipients – an aggregate of 21,200,000 shares. Additionally, the Company has instructed the Company's transfer agent to cancel all of the shares of Company Common Stock issued pursuant to the Agreement. As of December 31, 2014, the Company's transfer agent refused to cancel the shares without either (i) presentation of the physical certificates to the transfer agent, or (ii) a court order requiring the transfer agent to cancel. As of December 31, 2014, the Company had been unsuccessful in its attempts to procure the physical certificates for presentment to the transfer agent, and the Company had yet to secure a court order requiring the transfer agent to cancel the certificates.

During March 2015, the Company entered into a $250,000 compromise and settlement agreement with the court appointed receivership holding 17,808,000 shares of the Company's 21,200,000 common stock noted above. The physical stock certificate has been sent to the Company's transfer agent to immediately cancel those respective outstanding shares of that Agreement. An additional 1,272,000 shares of the company's common stock, all subject to the clawback provisions of the Agreement, have also been sent to the Company's transfer agent to immediately cancel those respective common shares of that Agreement but as of the time of this filing those shares have not yet been canceled. The Company expects that to happen shortly. Secondarily, subject to the clawback provisions of the Agreement, the Company is actively pursuing the procurement of an additional physical certificate of 2,120,000 shares from a respective individual still in possession of the common stock certificate. As of the time of the filing of these financials, 3,392,000 of the 21,200,000 shares issued as part of the Agreement remain outstanding.

The Company's total common shares outstanding totaled 48,562,750 at June 30, 2015.

Preferred Stock

In connection with the 2009 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. Since the merger, 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, 82,508 shares of Series Z Convertible Preferred were automatically authorized and converted into shares of the Company's common stock leaving 917,492 shares of authorized undesignated Preferred Stock in the Company in accordance with the Series Z Convertible Preferred certificate of designation. As of June 30, 2015, there were 82,508 shares of Series Z Preferred authorized with zero shares issued and outstanding.

The Company authorized 175,000 shares of Series X Convertible Preferred Stock with a par value of $0.01 per share (the "Series X Preferred"). 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 $536,770 as of June 30, 2015.

As of December 31, 2014, there were 143,677 shares authorized with 143,677 shares issued and outstanding. During March 2015, as part of the $250,000 compromise and settlement agreement with the court appointed receivership discussed above, the settlement agreement calls for a relinquishment and abandonment of any and all claims against Halo on 90,000 shares of the Company's Series X Preferred stock belonging to the receivership. As such, as of June 30, 2015, there were 53,677 shares authorized, issued and outstanding. The 53,677 shares were related to the 2010 conversion from notes payable due to related parties.

In April 2012, the Company authorized 100,000 shares of Series E Convertible Preferred Stock (the "Series E Preferred") with a par value of $0.001 per share, at ten dollars ($10.00) per share with a conversion rate of fifty (50) shares of the Company's common stock for one share of Series E Preferred. The number of shares of Series E Preferred may be decreased by resolution of the Board; provided, however, that no decrease shall reduce the number of Series E Preferred to less than the number of shares then issued and outstanding. In the event any Series E Preferred Shares shall be converted, (i) the Series E Preferred so converted shall be retired and cancelled and shall not be reissued and (ii) the authorized number of Series E Preferred Shares set forth shall be automatically reduced by the number of Series E 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 E Preferred Shares rank senior to the Company's common stock to the extent of $10.00 per Series E Preferred Shares and on a parity with the Company's common stock as to amounts in excess thereof. The holders of Series E Preferred shall not have voting rights. Holders of the Series E 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 or common stock when declared by the board. Holders of Series E Preferred have a liquidation preference per share equal to $10.00. The liquidation preference was $700,000 as of June 30, 2015. Each share of Series E Preferred, if not previously converted by the holder, will automatically be converted into common stock at the then applicable conversion rate after thirty-six months from the date of purchase. As of June 30, 2015, there were 70,000 shares issued and outstanding with total cash consideration of $700,000, convertible into 3,500,000 shares of the Company's common stock.

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 $740,350, of which $180,851 is an accrued (but undeclared) dividend as of June 30, 2015. 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, 2015, 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 $608,629, of which $148,717 is an accrued (but undeclared) dividend as of June 30, 2015. 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, 2015, 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 $410,322, of which $100,322 is an accrued (but undeclared) dividend as of June 30, 2015. 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 June 30, 2015, 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, 2015, 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 17. SUBSEQUENT EVENTS

There were no 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. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Report. 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 consolidated financial statements and the notes to those statements included in this Report.

Company Overview

The Company, through its subsidiaries, operates a nationwide distressed asset services company, providing technology-driven asset management, portfolio due diligence, acquisition, repositioning and liquidation strategies for the private investment and mortgage servicing industry. Founded in 2004, Halo began operating in the mortgage origination sector, expanding quickly to an award-winning consumer financial services company. Halo’s years of experience, key leadership and industry knowledge, laid the foundation for its emergence as a premier distressed asset services company.

Halo focuses its distressed asset services, portfolio due diligence, and asset liquidation strategies primarily on single family residential real estate across the United States for its business customers (typically distressed debt investors or debt servicers) to market turnkey solutions for improved performance and monetization of their portfolios. In today’s economy, lenders are experiencing an overflow of distressed assets. Many mortgage debt servicers are currently overwhelmed with externally imposed programs that are stretching the limits of their human resources, money and time. Halo’s technology systems are bundled with transparency, accountability, efficiency, 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.

The Company is currently exploring potential opportunities with several client relationships that would allow the Company to implement its internally used asset management software platform as an external service for those customers. This is commonly known as Software as a Service (“SaaS”). The Company entered into a consulting and development agreement with a customer during late 2014, and then entered into a SaaS contract with that client who prepaid for a 12 month service plan during early 2015. Cash receipts from customers in advance of revenue recognized are recorded as deferred revenue and will be earned over the entire SaaS contract period. The Company is still in its research phase of determining if this service line will remain ancillary or become a primary business component of the Company.

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 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 lien mortgages from banks, financial institutions and mortgage servicers which have been purchased by investors. The majority of the assets will be either modified first lien mortgages or sold via owner finance, as opposed to a fire sale through a real estate network. HAM, through its strategic sub-servicing relationship, will “season” the notes (season is defined as collecting consistent cash flow payments from the borrower). Following several months of seller financed payment seasoning, Halo will assist in the disposal of the performing Assets in bulk to various bulk performing asset buyers.

For the NPN’s, Halo will attempt to 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. For the borrowers who either lack the desire to stay in the home, or who lack the capacity to afford the home, Halo will obtain a deed-in-lieu of foreclosure from the borrower (which ensures the investor ownership of the underlying asset; not just the purchased note), often times through incentives, and 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 with achievable and manageable down payments and subsequent monthly payments. Halo originates land contracts or mortgage notes for the new home owners. A land contract (sometimes known as an “installment contract” or “contract for deed”) is a contract between a seller and buyer on real property in which the seller provides the buyer 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. As a general rule, the seller is obligated to convey legal title of the property to the buyer when the full purchase price has been paid including any interest. This process creates entry level housing with built-in, fully amortized financing that equates to payments that are equivalent to what the buyers are currently paying in rent, and often as much as 35% less.

When the loans are “seasoned,” they are attractive investment vehicles to be either refinanced or sold in bulk. Halo 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 borrowers who did not achieve qualifying levels will be sold in bulk at a discount of par value on the remaining unpaid principle balance of the notes.

Currently, HAM is under contract to manage and service approximately 3,700 assets in various stages of their life-cycle including REO, non-performing loans, re-performing note modifications, and performing owner financed contract-for-deeds. As the Company currently has the management, infrastructure, and physical work area capacity to scale and support additional assets under contract, it is actively seeking new clients as well as helping existing clients increase their respective asset pool. 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 distressed non-performing loan and REO industry.

HPA services include portfolio strategy consulting, default management, asset/liability management, asset preservation management, debt restructuring, portfolio acquisition and liquidation support. In addition, HPA also focuses its work with asset managers, investors and servicers to provide a custom, 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 proprietary in-house technology to provide a 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.

The current economic environment finds lenders and servicers drowning in an overflow of defaulted 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 business plan. At its core, the plan seeks to execute on delivering asset management, valued analytics, and consumer financial rehabilitation to mid-size institutional and private investors.

Significant effort and investment capital has been incurred by the Company over the past eleven years in order to attract and maintain a qualified and capable staff, develop proprietary software platforms, and implement 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.

Results of Operations for the three and six months ended June 30, 2015 compared to the three and six months ended June 30, 2014

To completely understand the Company's results, the below discussion should be read in conjunction with Note 4 Operating Segments of the consolidated financial statements.

Revenues

For the three months ended June 30, 2015, revenue decreased $322,757 and 39% to $505,148 from $827,905 for the three months ended June 30, 2014. The variance is primarily attributable to a (1) revenue decrease of $304,082 in HAM and a revenue decrease of $48,819 in HPA (2) offset by a revenue increase of $30,144 related to the Company's SaaS contract which is discussed in Company Overview section above.

As discussed in Note 2 of the consolidated financial statements, HAM revenues include boarding and initial asset management fees, success fees, and its monthly servicing fee. HAM revenues decreased $304,082 for the three months ended June 30, 2015 compared to the three months ended June 30, 2014. Attributable to the variance, the Company experienced a reduction in its success fees during the three months ended June 30, 2015 compared to the three months ended June 30, 2014 directly related to several bulk asset trades, of which the Company earns success fees, conducted by the Company during 2014 that did not occur during 2015. The Company also experienced slight decreases in its asset management fee and monthly servicing fees during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. These reductions are primarily attributable to less new boarding volume and the overall volume of assets being managed during the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

The HPA revenue decrease of $48,819 and 20% for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 is primarily attributable to less volume of assets being managed and a reduction of portfolio acquisition support performed during the current quarter which directly resulted in a decrease of property valuation analysis and the due diligence fee associated with this portfolio acquisition support.

For the six months ended June 30, 2015, revenue increased $578,472 and 41% to $1,998,665 from $1,420,193 for the six months ended June 30, 2014. The increase is primarily attributable to the $901,229 increase in revenue from the three months ended March 31, 2015 compared to the three months ended March 31, 2014, offset by the $322,757 variance for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 discussed above. The $901,229 increase in early 2015 was primarily a result of several portfolio acquisition support and due diligence projects completed during the first three months of 2015.

Overall, looking forward to the remainder of 2015, in late August 2015, as part of its ordinary course of business, the Company is discontinuing its asset management agreement with a client that has many assets under current management. As such, the Company is expecting to see a decrease in its success fees and monthly servicing fees, and possibly its asset management fees during the last half of 2015 and moving forward. The Company continues to evaluate and refine its sales and marketing strategy as well as manage its expenses, including corporate, personnel, and vendor relationships, in line with its asset units under management. The Company is actively seeking growth of its asset units under management, both organically and via new client relationships.

Operating Expenses

Sales and marketing expenses include direct sales costs and marketing incurred in HPA for property preservation, tax and title reporting, eviction filing, mobile notary services, asset valuation, credit reports, and all other contract service commissions. Sales and marketing expenses decreased $35,835 and 17% to $170,946 for the three months ended June 30, 2015 from $206,781 for the three months ended June 30, 2014. The decrease is primarily related to the variable expense associated with the above noted decrease in revenues in HPA (for portfolio acquisition support) over the same time period. For the six months ended June 30, 2015, sales and marketing expenses increased $412,632 and 89% to $878,837 from $466,205 for the six months ended June 30, 2014, primarily related to the portfolio acquisition support and due diligence projects completed during the first three months of 2015 as noted above offset by the decrease in revenue for the three months ended June 30, 2015.

General and administrative expenses increased $17,156 and 9% to $211,329 for the three months ended June 30, 2015 from $194,173 for the three months ended June 30, 2014. The variance is primarily attributable to a $50,000 note receivable write off that occurred during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. The Company invested in a note receivable of $50,000 in an affiliated company for working capital advances. The proceeds were made as a strategic investment in the affiliate as that affiliate provides revenue sourcing to the Company. As there is not a high probability of recollecting those proceeds advanced, the Company wrote off the note receivable prior to June 30, 2015. The $50,000 increase is offset by several immaterial variances in other general and administrative expenses including depreciation, rent, legal, travel and entertainment, and consulting during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. General and administrative expenses increased $66,697 and 18% to $442,361 for the six months ended June 30, 2015 from $375,664 for the six months ended June 30, 2014 primarily due to the reasons noted above.

Salaries, wages and benefits increased $311,130 and 73% to $739,223 for the three months ended June 30, 2015 from $428,093 for the three months ended June 30, 2014. Salaries, wages and benefits increased $719,742 and 78% to $1,645,164 for the six months ended June 30, 2015 from $925,422 for the six months ended June 30, 2014. The increase is primarily attributable to an increase in variable wages payable to several senior management personnel. The above increase is offset by a reduction in overall employee headcount primarily in HAM from the second quarter and second quarter year to date analysis above. Looking forward to the remainder of 2015, the Company will continue to gauge its headcount in the HAM subsidiary in line with its active revenue streams. As salaries, wages and benefits are the most significant cost to the Company, management actively monitors this cost to ensure it is in line with our business plan.

Interest expense is discussed in full detail in all applicable footnotes of the financial statements and as such the duplication is not warranted here.

The Company experienced an overall increase in its net loss of $689,530 and 592% to a net loss of $805,950 for the three months ended June 30, 2015 from a net loss of $116,420 for the three months ended June 30, 2014, primarily attributable to the reasons noted above. The Company experienced an overall increase in its net loss of $721,219 and 131% to a net loss of $1,273,375 for the six months ended June 30, 2015 from a net loss of $552,156 for the six months ended June 30, 2014, 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, 2014. There have been no significant changes in our significant accounting policies since the last fiscal year end 2014.

Liquidity and Capital Resources

As of June 30, 2015, the Company had cash and cash equivalents of $37,386. The decrease of $35,596 in cash and cash equivalents from December 31, 2014 was due to net cash used in operating activities of $52,746 and in investing activities of $50,000, offset by net cash provided by financing activities of $67,150.

Net cash used in operating activities was $52,746 for the six months ended June 30, 2015, compared to $391,458 net cash used in operating activities for the six months ended June 30, 2014. The net cash used in operating activities for the six months ended June 30, 2015 was due to net loss of $1,273,375, adjusted primarily by the following: an increase of $917,590 in accrued and other liabilities, an increase of $79,300 in deferred revenue, a decrease of $10,884 in accounts payable (specifically related to cash flows from operating and discussed further below), and non cash capitalization of interest in the note payable of $146,131 (discussed in note 9 of the consolidated financial statements) as well as a $50,000 note receivable write off discussed below in investing activities. The remaining immaterial variance is related to non cash depreciation and amortization, and a decrease in gross trade accounts receivable.

The $917,590 increase in accrued and other liabilities is primarily related to the increase in deferred compensation and wages payable to a portion of the management team and an increase in accrued interest. The $79,300 increase in deferred revenue is a short term timing difference between cash receipts and the Company's revenue recognition for its SaaS contract (as discussed in the Company Overview above).

On the balance sheet, accounts payable increased by $239,116 at June 30, 2015 from December 31, 2014. This is the result of the $250,000 increase in accounts payable directly related the receivership settlement discussed in Note 1 to the consolidated financial statements and included on the consolidated statements of cash flows as non cash supplemental information. The $250,000 receivership settlement is offset by a $10,884 decrease in accounts payable (specifically related to cash flows from operating) for the six months ended June 30, 2015 and is primarily related to the overall cash flow management of the Company.

Net cash used in investing activities was $50,000 for the six months ended June 30, 2015, compared to no investing activities during the six months ended June 30, 2014. The Company invested in a note receivable of $50,000 in an affiliated company for working capital advances. The payment was made as a strategic investment in the affiliate as that affiliate provides revenue sourcing to the Company. As there is not a high probability of recollecting those proceeds advanced, the Company wrote off the note receivable prior to June 30, 2015.

Net cash provided by financing activities was $67,150 for the six months ended June 30, 2015, compared to net cash provided by financing activities of $395,966 for the six months ended June 30, 2014. Financing activities for the six months ended June 30, 2015 consisted primarily of $100,000 in proceeds from notes payable to related parties, offset by the $25,000 and $7,917 in principal payments on notes payable to related parties and subordinated debt, respectively.

As shown below, at June 30, 2015, our contractual cash obligations totaled approximately $3,724,997, all of which consisted of operating lease obligations and debt principal and accrued interest repayment.

	Payments due by December 31,				
Contractual Obligations	2015	2016-2017	2018-2019	2020 & Thereafter	Total
Debt Obligations	$ 1,466,066	$ 2,251,539	$ 0	$ 0	$ 3,717,605
Operating Lease Obligations	$ 3,696	$ 3,696	$ 0	$ 0	$ 7,392
Total Contractual Cash Obligations	$ 1,469,762	$ 2,255,235	$ 0	$ 0	$ 3,724,997

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the Company will need to manage additional asset units under contract and/or additional financing to fully implement its business plan, including continued growth and establishment of a stronger brand name of HAM's asset management in the distressed asset sector. Management, in the ordinary course of business, is trying to raise additional capital through sales of common stock as well as seeking financing via equity or debt, or both from third parties. 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 an increased debt service cash obligation, the imposition of covenants that restrict the Company operations or the Company's ability to perform on its current debt service requirements. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Off Balance Sheet Transactions and Related Matters

Other than operating leases discussed in Note 14 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 sensitive to fluctuations in interest rates. Any significant increase in interest rates could have a material adverse effect 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 disclosures. 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

The Company and certain of its affiliates, officers and directors have been named as defendants in an action filed on December 12, 2011 in the 191st District Court of Dallas County, Texas. The Plaintiffs allege that the Company has misappropriated funds in connection with offerings of securities during 2010 and 2011. The complaint further alleges that Defendants engaged in fraudulent inducement, negligent misrepresentation, fraud, breach of fiduciary duty, negligence, breach of contract, unjust enrichment, conversion, violation of the Texas Securities Act, and civil conspiracy. The Plaintiffs amended their Petition on April 24, 2012 and dropped the conversion and civil conspiracy claims. The action seeks an injunction and a demand for accounting along with damages in the amount of $4,898,157. The Company has taken the position that the Plaintiff's claims have no merit, and accordingly is defending the matter vigorously. Defendants have filed a general denial of the claims as well as a Motion to Designate Responsible Third Parties whom Defendants believe are responsible for any damages Plaintiffs may have incurred. Defendants have also filed a Motion for Sanctions against the Plaintiffs and their counsel arguing, among other things, that (i) Plaintiffs' claims are "judicially stopped" from moving forward by virtue of the fact that the same Plaintiffs previously filed suit against separate entities and parties with dramatically opposed and contradicting views and facts; (ii) Plaintiffs have asserted claims against Defendants without any basis in law or fact; and (iii) Plaintiffs have made accusations against Defendants that Plaintiffs know to be false. Additionally, Defendants have filed a no evidence Motion for Summary Judgment which was scheduled to be heard in October of 2012. The Plaintiffs requested and were granted a six month continuance on the hearing of that motion. The Plaintiffs have also filed a Motion to Stay the case pending the outcome of the Company's lawsuit with the insurance companies which the Company has opposed. Initially the motion to stay was granted and Defendants moved for reconsideration. The parties were alerted that the court had reversed the Stay on appeal. The no evidence Motion for Summary Judgment was heard on August 9, 2013. Prior to the hearing, the Plaintiff's filed a 3rd Amended Petition in which they dropped any claim of fraud including fraudulent inducement, fraud, conversion and civil conspiracy and added a new "control person" claim which was not subject to the no evidence Motion for Summary Judgment heard on August 9, 2013. On September 25, 2013, Defendants no evidence Motion for Summary Judgment was granted in its entirety. Defendants subsequently filed a no evidence Motion for Summary Judgment on the final remaining "control person" claim which was heard before the court on October 21, 2013. On December 18, 2013 a final Order Granting Defendant's Second No-Evidence Motion of Final Summary Judgment was signed. The Plaintiff's subsequently filed a motion for new trial. Following a hearing, the Plaintiff's motion for new trial was denied by operation of law. The Plaintiff's Filed a Notice of Appeal on March 11, 2014. The Plaintiffs have requested multiple extensions to their time to file their brief on the Appeal. After having multiple extensions granted, the Plaintiff's requested that the Appeals court stay the Appeal pending the outcome of the Company's approved settlement agreement with the court appointed Receiver for James G. Temme and Stewardship Fund, LLC, appointed by the Federal Court in the Eastern District of Texas. On September 16, 2014 the Sixth Appellate District Court of Appeals of Texas issued an order abating the Plaintiff's appeal pending a final determination by the federal courts of an order issued by the federal district court in a separate action directing the Plaintiff's, among others, not to further pursue this separate litigation. For administrative purposes, this case is abated and will be treated as closed. Any party may seek reinstatement by promptly filing a motion with the Sixth Appellate District Court of Appeals of Texas showing that the injunction or order of the federal court no longer restricts pursuit of this litigation and specifying what further action, if any, is required from the Court.

The Company and certain of its affiliates, officers and directors named as defendants in an insurance action filed on April 27, 2012 in the United States District Court for the Northern District of Texas. The Plaintiffs allege that it had no duty to indemnify the Company, its affiliates, officers or directors because the claims set forth in the lawsuit mentioned herein above were not covered by the insurance policy issued by Plaintiff in favor of Defendants. The action sought declaratory judgment that the Plaintiff had no duty to indemnify the Defendants pursuant to the insurance policy that Defendants purchased from Plaintiff. The Company took the position that Plaintiff's claim had no merit, and defended the matter vigorously. Additionally, Defendants filed a counterclaim against the insurer alleging breach of contract, violation of the Texas Insurance Code and violation of the duty of good faith and fair dealing. On March 12, 2013, Plaintiff and Defendants entered into an agreement whereby Plaintiff's and Defendant's claims, are to be dismissed without prejudice while the underlying liability suit in the 191st District Court of Dallas County proceeds. An Agreed Motion to Dismiss Without Prejudice was filed on March 12, 2013, and the parties are awaiting the court's entry of the Agreed Order of Dismissal Without Prejudice.

The Company and certain of its affiliates, officers and directors have been named as defendants in an action filed on July 19, 2012 in the United States District Court for the Northern District of Texas. The Plaintiff alleges that it has no duty to defend or indemnify the Company, its affiliates, officers or directors because the claims set forth in the lawsuit mentioned herein above are not covered by the insurance policy written by Plaintiff in favor or Defendants. The action seeks declaratory judgment that the Plaintiff has no duty to defend or indemnify the Defendants pursuant to the insurance policy that Defendants purchased from Plaintiff. Initially, the Company took the position that Plaintiff's claims had no merit, and defended the matter vigorously. Additionally, Defendants filed a counterclaim against the insurer alleging breach of contract, violation of the Texas Insurance Code and violation of the duty of good faith and fair dealing. Plaintiff has filed a Motion for Summary Judgment seeking a judgment that it owes no duty to defend or indemnify Defendants. After careful consideration, Defendants decided not to oppose the Motion for Summary Judgment and a response in opposition was not filed. The Motion for Summary Judgment was granted in part and the remaining matter remains pending before the court.

See Note 14 to the consolidated financial statements for more information

Item 1A. Risk Factors

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 areas 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 government regulations. In the United States, we are regulated pursuant to laws applicable to businesses in general. And in some areas of our business, we are subject to specific laws regulating the availability of certain material related to, or to the obtaining of, personal information. Adverse developments in the legal or regulatory environment relating to the debt collection, mortgage servicing and mortgage origination industries in the United States could have a material adverse effect on our business, financial condition and operating results. A number of legislative and regulatory proposals from the federal government and various state governments in the areas of debt collection, mortgage servicing, mortgage origination, consumer protection, advertising, and privacy, among others, have been adopted or are now under consideration. We are unable at this time to predict which, if any, of the proposals under consideration may be adopted and, with respect to proposals that have been or will be adopted, whether they will have a beneficial or an adverse effect on our business, financial condition and operating results.

For the mortgage origination and mortgage servicing industries in particular, legislation in the United States has been pervasive and is under constant review for amendment or expansion. Pursuant to such legislation, numerous federal, state and local departments and agencies have issued extensive rules and regulations, some of which carry substantial penalties for failure to comply. These laws and regulations increase the cost of doing business and, consequently, affect profitability. Since new legislation affecting the mortgage origination and mortgage servicing industries is commonplace and existing laws and regulations are frequently amended or reinterpreted, the company is unable to predict the future cost or impact of complying with these laws and regulations. However, the Company considers the cost of regulatory compliance a necessary and manageable part of its business. Further, the Company has been able to plan for and comply with new regulatory initiatives without materially altering its operating strategies.

Specific laws which affect HAM and HPA in particular are the following: The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E. Act"), the Fair Debt Collection Practices Act ("FDCPA"), and the Real Estate Settlement Procedures Act ("Regulation X" or "RESPA"). Currently, the Company believes it is fully compliant with each of these laws. The Company believes that these laws, as currently enacted, provide barriers to entry for potential competitors, by virtue of their respective bonding and licensing requirements, and the overall cost of compliance. The Company believes that HAM and HPA maintain a competitive advantage in the marketplace because of these barriers to entry.

In addition to the referenced federal laws and regulations, state mortgage origination and mortgage servicing laws and regulations also affect the HAM and HPA businesses, by providing further barriers to entry as well as additional compliance and enforcement procedures for our unlicensed, noncompliant competition. The Company believes it is currently compliant with all relevant state laws and regulations in the states in which the Company does business, however, if the relevant laws and regulations were to change in the states where the Company has its highest concentration of business, such change could have an adverse impact on the Company's operating strategy and overall revenues.

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 OTCPink, which may have an unfavorable impact on our stock price and liquidity. The Company's common stock is quoted on the OTCPink marketplace, 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 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. Mine Safety Disclosures

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 12, 2015	By: /s/ Brandon Cade Thompson Brandon Cade Thompson Chief Executive Officer (Principal Executive Officer)
Date: August 12, 2015	By: /s/ Robbie Hicks Robbie Hicks Chief Accounting Officer (Principal Financial Officer)

Exhibit 31.1

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 12, 2015

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

Exhibit 31.2

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

I, Robbie Hicks, Chief Accounting 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 12, 2015

By: /s/ Robbie Hicks
Robbie Hicks
Chief Accounting Officer
(Principal Financial Officer)

Exhibit 32

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 Accounting 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, 2015 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 12, 2015

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

Date: August 12, 2015

By: /s/ Robbie Hicks
Robbie Hicks
Chief Accounting Officer
(Principal Financial Officer)