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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, 2013

[_] **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.)

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

214-644-0065
(Issuer Telephone number)

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

Yes [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 14, 2013:
66,364,083 shares of Common Stock, $.001 par value per share outstanding.

Halo Companies, Inc.
INDEX

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Consolidated Balance Sheets at June 30, 2013 (unaudited) and December 31, 2012	3
	Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2013 and 2012	4
	Consolidated Statements of Changes in Equity (Deficit) (unaudited) for the six months ended June 30, 2013 and 2012	5
	Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2013 and 2012	6
	Notes to Consolidated Financial Statements	7-22
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23-28
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	28
Item 4T.	Controls and Procedures	28

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	30-32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3.	Defaults upon Senior Securities	32
Item 4.	Mine Safety Disclosures	32
Item 5.	Other Information	33
Item 6.	Exhibits	33
	SIGNATURES	34

Part 1 – Financial Information

Item 1. Financial Statements

Halo Companies, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2013 (unaudited)	December 31, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 82,968	$ 184,121
Trade accounts receivable, net of allowance for doubtful accounts of $375,665 and $375,665, respectively	378,775	183,151
Note receivable	65,000	165,000
Total current assets	526,743	532,272
PROPERTY, EQUIPMENT AND SOFTWARE, net	179,378	146,697
DEPOSITS AND OTHER ASSETS	45,000	45,000
TOTAL ASSETS	$ 751,121	$ 723,969
LIABILITIES AND (DEFICIT) EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 976,514	$ 700,348
Accrued and other liabilities (including $56,207 and $55,927 to related parties, respectively)	720,079	601,742
Deferred revenue	31,500	11,300
Current portion of secured asset promissory note	—	1,200,000
Current portion of subordinated debt	157,084	226,713
Current portion of notes payable to related parties	457,574	396,129
Current portion of notes payable	—	8,509
Current portion of deferred rent	186,227	186,227
Total current liabilities	2,528,978	3,330,968
NOTES PAYABLE TO RELATED PARTIES, LESS CURRENT PORTION	222,147	242,132
SUBORDINATED DEBT, LESS CURRENT PORTION	18,333	20,833
ACCRUED INTEREST ON RELATED PARTY NOTES, LESS CURRENT PORTION	29,833	34,652
DERIVATIVE LIABILITY	19,367	29,351
DEFERRED RENT, LESS CURRENT PORTION	27,003	120,117
Total liabilities	2,845,661	3,778,053
(DEFICIT) EQUITY		
Series Z Convertible Preferred Stock, par value $0.01 per share; 82,508 shares authorized; 0 shares issued and outstanding at June 30, 2013 and December 31, 2012	—	—
Preferred Stock, par value $0.001 per share; 917,492 shares authorized; 0 shares issued and outstanding at June 30, 2013 and December 31, 2012	—	—
Series X Convertible Preferred Stock, par value $0.01 per share; 143,677 shares authorized; 143,677 shares issued and outstanding at June 30, 2013 and December 31, 2012, liquidation preference of $1,436,770	1,437	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, 2013 and December 31, 2012, respectively, 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, 2013 and December 31, 2012 liquidation preference of $629,376	373	373
Series B Convertible Preferred Stock; 229,956 shares issued and outstanding at June 30, 2013 and December 31, 2012 liquidation preference of $517,336	230	230
Series C Convertible Preferred Stock; 124,000 shares issued and outstanding at June 30, 2013 and December 31, 2012 liquidation preference of $348,826	124	124
Common Stock, par value $0.001 per share; 375,000,000 shares authorized; 66,364,083 shares issued and outstanding at June 30, 2013 and December 31, 2012	66,364	66,364
Additional paid-in capital	7,638,764	7,638,764
Accumulated deficit	(9,801,902)	(10,678,986)
Total (deficit) equity	(2,094,540)	(2,971,624)
NONCONTROLLING INTEREST	—	(82,460)
Total shareholders' (deficit) equity	(2,094,540)	(3,054,084)
TOTAL LIABILITIES AND (DEFICIT) EQUITY	$ 751,121	$ 723,969

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
REVENUE (including $126,706, $0, $230,984 and $0 from related parties, respectively)	$ 2,983,081	$ 760,280	$ 3,868,298	$ 2,677,118
OPERATING EXPENSES				
Sales and marketing expenses	581,828	328,175	1,021,463	857,946
General and administrative expenses	263,197	378,156	559,978	732,966
Salaries, wages, and benefits	576,884	657,480	1,157,315	1,285,481
Total operating expenses	1,421,909	1,363,811	2,738,756	2,876,393
OPERATING INCOME (LOSS)	1,561,172	(603,531)	1,129,542	(199,275)
OTHER INCOME (EXPENSE)				
Gain (loss) on change in fair value of derivative	(5,927)	208	9,984	(13,110)
Wind down of noncontrolling interest subsidiary	(82,460)	—	(82,460)	—
Loss on sale of HGR subsidiary	—	—	—	(7,500)
Interest expense (including $8,077, $9,018, $16,170 and $18,483 to related parties, respectively)	(52,201)	(100,590)	(156,359)	(203,888)
Net income (loss) from operations, before income tax provision	1,420,584	(703,913)	900,707	(423,773)
INCOME TAX PROVISION	23,623	30,400	23,623	30,400
NET INCOME (LOSS)	1,396,961	(734,313)	877,084	(454,173)
Gain attributable to the noncontrolling interest	—	(308)	—	(1,297)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 1,396,961	$ (734,621)	$ 877,084	$ (455,470)
Earning per share:				
Basic	$ 0.02	$ (0.01)	$ 0.01	$ (0.01)
Diluted	$ 0.02	$ (0.01)	$ 0.01	$ (0.01)
Weighted Average Shares Outstanding				
Basic	66,364,083	66,359,083	66,364,083	65,929,295
Diluted	71,924,260	66,359,083	71,924,260	65,929,295

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

Halo Companies, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) EQUITY
For the Six Months Ended June 30, 2013 and 2012
(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	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2011	65,494,506	$ 65,495	152,177	$ 1,522	—	$ —	372,999	$ 373	229,956	$ 230	124,000	$ 124	7,000,218	$ (9,679,700)	$ (82,379)	$ (2,694,117)
Exercise of Stock Options	10,000	10	—	—	—	—	—	—	—	—	—	—	90	—	—	$ 100
Issuance of Common Shares	79,546	80	—	—	—	—	—	—	—	—	—	—	17,420	—	—	17,500
Discretionary redemption of Series X Convertible Preferred Stock	—	—	(6,000)	(60)	—	—	—	—	—	—	—	—	(59,940)	—	—	(60,000)
Issuance of Common Stock Shares as payment of stock dividends	780,031	780	—	—	—	—	—	—	—	—	—	—	(780)	—	—	—
Issuance of Series E Convertible Preferred Stock for cash	—	—	—	—	55,000	550	—	—	—	—	—	—	549,450	—	—	550,000
Net loss attributable to common shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	(455,470)	—	(455,470)
Allocation of gain to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,297	1,297
Balance at June 30, 2012	66,364,083	$ 66,365	146,177	$ 1,462	55,000	$ 550	372,999	$ 373	229,956	$ 230	124,000	$ 124	$ 7,506,458	$ (10,135,170)	$ (81,082)	$ (2,640,690)
Balance at December 31, 2012	66,364,083	$ 66,364	143,677	$ 1,437	70,000	$ 70	372,999	$ 373	229,956	$ 230	124,000	$ 124	$ 7,638,764	$ (10,678,986)	$ (82,460)	$ (3,054,084)
Net income attributable to common shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	877,084	—	877,084
Wind down of noncontrolling interest subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	82,460	82,460
Balance at June 30, 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	$ (9,801,902)	$ —	$ (2,094,540)

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, 2013 and 2012
(Unaudited)

	For the Six Months Ended	
	June 30, 2013	June 30, 2012
CASH FLOWS FROM OPERATIONS		
Net income (loss)	$ 877,084	$ (455,470)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,386	40,451
Amortization of debt discount	1,454	4,361
Bad debt expense	931	7,797
(Gain) loss on change in fair value of derivative	(9,984)	13,110
Stock based payment for services	—	17,500
Loss on sale of HGR subsidiary	—	7,500
Noncontrolling interest	82,460	1,297
Changes in operating assets and liabilities:		
Accounts receivable	(196,555)	310,656
Deposits and other assets	—	(20,000)
Accounts payable	276,166	(85,906)
Accrued and other liabilities	113,518	(35,010)
Deferred rent	(93,114)	(31,477)
Deferred revenue	20,200	(690,874)
Net cash provided by (used in) operating activities	1,101,546	(916,065)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds received from joint venture	—	9,823
Proceeds received from note receivable	100,000	—
Proceeds received from sale of HGR subsidiary	—	30,000
Purchases of property and equipment	(62,067)	(2,273)
Net cash provided by investing activities	37,933	37,550
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from issuance of preferred stock	—	550,000
Discretionary redemption of preferred stock	—	(60,000)
Issuance of common stock for the exercise of stock options	—	100
Principal payments on secured asset promissory note	(1,200,000)	—
Principal payments on notes payable	(8,509)	(86,767)
Proceeds from notes payable to related parties	157,011	—
Principal payments on notes payable to related parties	(115,551)	(31,365)
Principal payments on subordinated debt	(73,583)	(42,000)
Net cash (used in) provided by financing activities	(1,240,632)	329,968
Net decrease in cash and cash equivalents	(101,153)	(548,547)
CASH AND CASH EQUIVALENTS, beginning of period	184,121	657,135
CASH AND CASH EQUIVALENTS, ending of period	$ 82,968	$ 108,588
SUPPLEMENTAL INFORMATION		
Cash paid for taxes - Texas Margin Tax	$ 22,000	$ 30,400
Cash paid for interest	$ 193,969	$ 136,313

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 One Allen Center, Suite 500, 700 Central Expy South, Allen, Texas 75013 and its telephone number is 214-644-0065.

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"), Halo Select Insurance Services, LLC ("HSIS"), Halo Group Mortgage, LLC ("HGM"), Halo Benefits, Inc. ("HBI"), and Equitas Housing Fund, LLC ("EHF"). 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 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, lenders, and mortgage backed securities holders. The remaining subsidiaries, currently non-operating entities, were established in previous years to provide insurance brokerage, mortgage services, and association benefit services to customers throughout the United States. EHF was set up as the Company's investment in non-performing loans as discussed below in Note 7.

In November 2012, the Company entered into a stock/unit purchase agreement for the sale of the Company's subsidiaries Halo Debt Solutions, Inc. ("HDS"), Halo Financial Services, LLC ("HFS"), and Halo Credit Solutions ("HCS"). The purchase agreement was finalized at $250,000, which included a $25,000 down payment at closing and promissory note financing for the remainder of the purchase price. The note receivable does not accrue interest. Any purchaser default on the promissory note not properly cured would immediately declare the note due and payable. The Company recorded a gain on the sale of HDS, HFS and HCS of $134,731. As of June 30, 2013, the buyer has paid (including the down payment) the Company $185,000. The remaining $65,000 promissory note receivable is included in current assets on the consolidated balance sheet for the period ended June 30, 2013.

Subsequent to June 30, the Company received $65,000 of the remaining $65,000 promissory note receivable. The promissory note receivable has been paid in full as of August 13, 2013.

In April 2013, the Company eliminated the noncontrolling interest balance on its balance sheet when it effectively closed the non-operating subsidiary Halo Choice Insurance Services, LLC ("HCIS"). See further discussion in Note 2 of the consolidated financial statements.

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, 2013, and for the three and six months ended June 30, 2013 and 2012, 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, 2013, are not necessarily indicative of the results that may be expected for the year ended December 31, 2013. Certain balances have been reclassified in prior periods to be consistent with current year presentation.

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 loan modification, notes sales, obtaining a deed in lieu of foreclosure, 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.

HAM and HPA receivables are typically paid the month following services performed. As of June 30, 2013, the Company's accounts receivable are made up of the following percentages; HAM at 77% and HPA at 23%.

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 pro vides 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, 2013 and December 31, 2012, respectively;

	Balance at Beginning of Period	Increase in the Provision	Accounts Receivable Write-offs	Balance at End of Period
Six Months ended June 30, 2013				
Allowance for doubtful accounts	$ 375,665	$ 931	$ 931	$ 375,665
Year ended December 31, 2012				
Allowance for doubtful accounts	$ 446,722	$ 35,259	$ 106,316	$ 375,665

As of June 30, 2013, the Company's allowance for doubtful accounts is made up of the following percentages; HAM at 96% and HPA at 4%. The HAM and HPA allowance is related to one client. The client is in a court appointed receivership and the Company is awaiting final outcome of its receivable claim into the receivership to determine any potential recoverability. As of June 30, 2013, the Company has fully reserved all outstanding accounts receivables of this client.

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, 2013 and 2012, there were 5,556,577 and 5,051,337 shares, respectively, underlying potentially dilutive convertible preferred stock and stock options outstanding. For the period ending June 30, 2012, the 5,051,337 shares were not included in dilutive weighted average shares because their effect is anti-dilutive due to the Company's 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, valuation of equity based compensation and derivative liabilities.

Principles of Consolidation

The consolidated financial statements of the Company for the three and six months ended June 30, 2013 include the financial results of HCI, HGI, HGM, HBI, HSIS, HCIS (defined below), HPA, HAM, and EHF. All significant intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements of the Company for the three and six months ended June 30, 2012 include the financial results of HCI, HGI, HCS, HDS, HGM, HBI, HSIS, HCIS (defined below), HFS, HPA, HAM, and EHF. The financial results of HGR are included for the one month period January 2012. 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.

Note Receivable

In November 2012, the Company entered into a stock/unit purchase agreement for the sale of the Company's subsidiaries HDS, HFS, and HCS for consideration of $250,000 (sale discussed in further detail above). As of June 30, 2013, the buyer has paid (including the down payment) the Company $185,000. The remaining $65,000 note receivable is included in current assets on the consolidated balance sheet as of June 30, 2013. The note receivable does not bear interest.

Deposits and Other Assets

During the year ended December 31, 2012, the Company established a $45,000 deposit held with the Company's office lessor. The Deposits and Other Assets balance was $45,000 at June 30, 2013.

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, note 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, 2013 and 2012.

Equity-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with ASC 718 "Compensation-Stock Compensation". Under ASC 718, the fair value of stock options at the date of grant is recognized in earnings over the vesting period of the options beginning when the specified events become probable of occurrence. For the three and six months ended June 30, 2013, there were zero shares of stock options awarded as discussed in Note 16. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of (i) the date on which the counterparty's performance is complete, or (ii) the date on which it is probable that performance will occur.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740 "Income Taxes". 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.) No additional liabilities have been recognized as a result of the implementation. The Company has not taken a tax position that, if challenged, would have a material effect on the financial statements or the effective tax rate during the three and six months ended June 30, 2013 or 2012.

The Company incurred no penalties or interest for taxes for the three or six months ended June 30, 2013 or 2012. The Company is subject to a three year statute of limitations by major tax jurisdictions for the fiscal years ended December 31, 2009, 2010, and 2011. The Company files income tax returns in the U.S. federal jurisdiction.

Deferred Rent

Deferred rent of the Company is comprised of two balances. First, the Company's operating leases for its office facilities contain free rent periods during the lease term. For these types of leases the Company recognizes rent expense on a straight line basis over the minimum lease term and records the difference between the amounts charged to expense and the amount paid as deferred rent. As the free rent periods have expired on the existing office facility leases, the Company expects the deferred rent balance to decrease over the remaining rental period until the maturity date at which time the deferred rent balance will have been reduced to $0. This balance is included within the consolidated balance sheets in both the current and long term portion of deferred rent. The second portion of the deferred rent balance is comprised of a $257,012 reduction fee for a contractually agreed decrease in the Company's office facilities as discussed fully in Note 15. This balance has and will continue to reduce evenly over the remaining lease term beginning in August 2012 and ending August 2014. This balance is included within the consolidated balance sheets in both the current and long term portion of deferred rent.

Non-controlling Interest

On January 1, 2009, HSIS entered into a joint venture with another entity to form HCIS. HSIS contributed 49% of the opening equity balance. Under a qualitative analysis performed in accordance with ASC 810 "Consolidation", HCIS is a variable interest entity and HSIS is the primary beneficiary as HSIS's parent company, HGI, acts as the sole manager of the entity. Based on this analysis, HSIS has consolidated HCIS with the non-controlling 51% interest included in non-controlling interest on the consolidated balance sheets and consolidated statements of operations. In April 2013, the Company closed the non-operating HCIS subsidiary. With the closure of HCIS, there is no future income stream to offset the deficit in the non-controlling interest balance, and as the non-controlling 51% entity will not reimburse HSIS for its share of cumulative losses, HSIS incurred an expense of $82,460, included in other expense on the consolidated statements of operations. As of June 30, 2013, the non-controlling interest balance was $0.

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, 2013, the FDIC insured deposit accounts up to $250,000. At June 30, 2013, 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 and note 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 as well as the remaining note receivable balance held with one entity.

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,	
	2013	2012	2013	2012
Revenue:				
Halo Asset Management	$ 2,284,338	$ 386,806	$ 2,608,954	$ 1,637,512
Halo Portfolio Advisors	698,743	265,616	1,230,813	660,744
Other	—	107,858	28,531	378,862
Net revenue	$ 2,983,081	$ 760,280	$ 3,868,298	$ 2,677,118
Operating income (loss):				
Halo Asset Management	$ 1,956,415	$ (41,516)	$ 1,930,853	$ 813,855
Halo Portfolio Advisors	109,477	41,410	208,659	178,849
Other	(109,082)	(62,969)	(200,085)	(109,686)
Less: Corporate expenses (a)	(559,849)	(671,546)	(1,062,343)	(1,338,488)
Operating income (loss):	$ 1,396,961	$ (734,621)	$ 877,084	$ (455,470)

a. Corporate expenses include salaries, benefits and other expenses, including rent and general & administrative expenses, related to corporate office overhead and functions that benefit all operating segments. 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, note receivable, and property/equipment/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, with the exception of the $1,200,000 secured asset promissory note of EHF. However, this note was paid in full during the three months ended June 30, 2013, as discussed further in Note 12. Interest expense related to the secured asset promissory note totaled $34,231 and $118,231 for the three and six months ended June 30, 2013, and is included above in “Other” and in “Other Income (expense)” in the consolidated statements of operations. The remaining $17,970 of the $52,201 interest expense for the three months ended June 30, 2013 and the remaining $38,128 of the $156,359 in the consolidated statements of operations for the six months ended June 30, 2013 are included in corporate expenses above.

For the three and six months ended June 30, 2013 and 2012, 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 has recognized net income of $877,084 for the six months ended June 30, 2013, however, as included in the consolidated statements of cash flows, the Company has used a material amount of its net cash provided by operating activities towards the repayment of previously borrowed financing sources.

The Company is actively seeking growth of its asset units under management, both organically and via new client relationships. Secondarily, 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 Company has incurred an accumulated deficit of $9,801,902 as of June 30, 2013. However, of the accumulated deficit, $2,110,748 of expense was incurred as stock-based compensation, $462,571 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 $3,758,838 total of these non-cash retained earnings reductions represents 38% of the total deficit balance. 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. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 6. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following as of June 30, 2013 and December 31, 2012, respectively:

	June 30, 2013	December 31, 2012
Computers and purchased software	$ 219,270	$ 159,159
Furniture and equipment	354,756	352,800
	574,026	511,959
Less: accumulated depreciation	(394,648)	(365,262)
	$ 179,378	$ 146,697

Depreciation totaled $14,574, $29,386, $16,785 and $35,257 for the three and six months ended June 30, 2013 and 2012, respectively.

NOTE 7. INVESTMENTS IN PORTFOLIO ASSETS

In December 2010, EHF entered into an agreement to purchase non-performing mortgage notes secured by the property, across the United States, for 6.6% of unpaid principal balance. Total purchase price of the investment was $300,000. Payments of $20,759 were received during 2011 and applied to the investment. During 2011, the seller's estate, including the above mentioned non-performing mortgage notes purchased for $300,000 was placed into receivership with a court appointed receiver of the seller. The receiver has asserted ownership of the assets in receivership, including the referenced mortgage notes. As the Company's right to these assets had been impaired, the Company assessed its ability to reclaim the assets as remote and an impairment of the investment in portfolio assets was warranted. Accordingly, the Company recognized impairment of the assets of $279,241 as of December 31, 2011. As of June 30, 2013, the Company is still awaiting final outcome of any potential recoverability from the receivership and as such the value remains $0.

NOTE 8. ACCRUED AND OTHER LIABILITIES

The Company had $720,079 in accrued liabilities at June 30, 2013. Included in this accrual is $442,063 in deferred compensation to multiple senior management personnel, $277,121 in accrued interest ($216,762 of this balance related to interest on the secured asset promissory note discussed in more detail in Note 12), and $895 in other. The Company had $601,742 in accrued liabilities at December 31, 2012. Included in this accrual was $77,296 in salaries and wages payable, $211,936 in deferred compensation to multiple senior management personnel, $311,365 in accrued interest ($252,000 of this balance is discussed in more detail in Note 12), and $1,145 in other.

NOTE 9. NOTES PAYABLE TO RELATED PARTIES

The notes payable to related parties reside as follows;

During March 2011, the Company entered into one unsecured promissory note with a related party (a 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 maturity of October 2013. Interest and principal is due upon maturity. As of June 30, 2013, the 2011 Related Party Note was $197,120, all of which is included in current portion of notes payable to related parties. As of December 31, 2012, the balance of the 2011 Related Party Note was $206,292, 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 June 30, 2013, the 2011 Consolidated Related Party Note balance was $282,601, of which $60,454 is included in current portion of notes payable to related parties. As of December 31, 2012, the 2011 Consolidated Related Party Note balance was $291,969, of which $49,837 is included in current portion of notes payable to related parties.

As of December 31, 2012, a Company director had an outstanding advance to the Company of $100,000, for short term capital. During the six months ended June 30, 2013, the director advanced an additional $100,000 to the Company for working capital. 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. The advance does not accrue interest. As such, as of June 30, 2013, the advance balance was $200,000, all of which is included in current portion of notes payable to related parties.

In December 2012, the Company's President and Chief Legal Officer advanced $28,000 to the Company for short term capital. During the six months ended June 30, 2013, an additional advance of $15,000 was made for working capital as well as the repayment of the entire $43,000 advanced. As of June 30, 2013, the advance balance was $0. The advance did not accrue interest.

In December 2012, the Company's CEO and Director of the Board advanced $12,000 to the Company for short term capital. During the six months ended June 30, 2013, an additional advance of $40,000 was made for working capital as well as the repayment of the entire $52,000 advanced. As of June 30, 2013, the advance balance was $0. The advance did not accrue interest.

As of June 30, 2013, the notes payable to related party balance totaled $679,721, of which $457,574 is included in current portion of notes payable to related parties in the consolidated financial statements. As of December 31, 2012, the notes payable to related party balance totaled $638,261, of which $396,129 is included in current portion of notes payable to related parties in the consolidated financial statements.

The Company incurred $8,077, $16,170, $9,018 and $18,483 of interest expense to directors, officers, and other related parties during the three and six months ended June 30, 2013 and 2012, respectively. Accrued interest due to directors and other related parties totaled $86,040 at June 30, 2013, of which $56,207 is included in accrued and other current liabilities. Accrued interest due to directors and other related parties totaled $90,579 at December 31, 2012, of which $55,927 is included in accrued and other current liabilities.

NOTE 10. NOTES PAYABLE

On August 15, 2011, the Company entered into an agreement with LegacyTexas Bank ("LTB") to refinance a previously outstanding $75,001 line of credit into an 18 month note. The terms of the new note include an interest rate of 3% with a maturity date of February 15, 2013. As of June 30, 2013, the note payable balance was $0 (paid in full). As of December 31, 2012, the note payable balance was $8,509, which is included in current portion of notes payable.

NOTE 11. SUBORDINATED DEBT

During January 2010, the Company authorized a $750,000 subordinated debt offering ("Subordinated Offering"), which consists of the issuance of notes paying a 16% coupon with a 1% origination fee at the time of closing. The maturity date of the notes was originally January 31, 2013, however, subsequent to December 31, 2012, the Company and the subordinated debt holders agreed to an extended maturity date of April 30, 2013, and then again to December 31, 2013. Repayment terms of the notes included interest only payments through July 31, 2010. Thereafter, level monthly payments of principal and interest are made as calculated on a 60 month payment amortization schedule with final balloon payment due at maturity. The rights of holders of notes issued in the Subordinated Offering are subordinated to any and all liens granted by the Company to a commercial bank or other qualified financial institution in connection with lines of credit or other loans extended to the Company in an amount not to exceed $2,000,000, and liens granted by the Company in connection with the purchase of furniture, fixtures or equipment. This includes the LTB debt disclosed in Note 10. Since inception of the offering, the Company has raised $420,000 in the Subordinated Offering. As of June 30, 2013, the remaining balance of this offering, less debt discount (discussed below), totals $151,667, all of which is included in current portion of subordinated debt.

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. The Warrants shall have a term of seven years, exercisable from January 31, 2015 to January 31, 2017. The Company will have a call option any time prior to maturity, so long as the principal and interest on the notes are fully paid, to purchase the Warrants for an aggregate of $150,000. After the date of maturity until the date the Warrants are exercisable, the Company will have a call option to purchase the Warrants for $200,000. The call option purchase prices assume a cumulative debt raise of $750,000.

The Company adopted the provisions of 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 will be amortized into interest expense using the effective interest method. As of June 30, 2013, the balance of the debt discount was $0 (fully amortized). As of December 31, 2012, the balance of the debt discount was $1,454, included in current portion of subordinated debt. Subsequent changes to the marked-to-market value of the derivative liability will be recorded in earnings as derivative gains and losses. As of June 30, 2013, there were 112,000 warrants outstanding with a derivative liability of $19,367. As of December 31, 2012, there were 112,000 warrants outstanding with a derivative liability of $29,351. The $9,984 decrease in fair value is included in the consolidated statements of operations as gain on change in fair value of derivative. The Warrants were valued using the Black-Scholes model, which resulted in the fair value of the warrants at $0.17 per share using the following assumptions:

	June 30, 2013
Risk-free rate	1.04%
Expected volatility	565.13%
Expected remaining life (in years)	3.5
Dividend yield	0.00%

During August 2012, the Company entered into an additional $25,000 subordinated term note with a 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 include 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, 2013, the remaining balance of this note totals $23,750, of which $5,417 is included in current portion of subordinated debt. As of December 31, 2012, the balance of this note totals $25,000.

As of June 30, 2013, the subordinated debt balance was $175,417, of which $157,084 was included in current portion of subordinated debt. As of December 31, 2012, the subordinated debt balance was $247,546, of which $226,713 was included in current portion of subordinated debt.

NOTE 12. SECURED ASSET PROMISSORY NOTE

During December 2010, the Company authorized a debt offering to be secured by real estate assets purchased in connection with Equitas Housing Fund, LLC, ("Equitas Offering"). The Equitas Offering, which is now closed, 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 consist of a 25% coupon with a maturity date of December 31, 2012. Accrued interest is to be paid quarterly at the end of each fiscal quarter beginning March 31, 2011 through maturity date and continuing until the promissory note has been paid in full. The rights of the holders of the Secured Asset Promissory Notes include a security interest in the collateral of the above mentioned securities of real estate properties. As of December 31, 2012, the Secured Asset Promissory Note balance was $1,200,000.

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, 2013. The new promissory note will accrue interest at a 10% annual rate, with interest only payments due periodically and final balloon payment due at maturity. Subsequent to the payment and new promissory note of accrued interest, the Company is no longer in default with its secured asset promissory note holder. As of June 30, 2013, the accrued interest balance was $216,762. As of December 31, 2012, the accrued interest balance was $252,000. For the three and six months ended June 30, 2013 and 2012, the Company incurred $34,231, $118,231, $75,000, and $150,000 respectively, in interest expense on the note.

NOTE 13. RELATED PARTY TRANSACTIONS

For the three and six months ended June 30, 2013, HAM recognized monthly servicing fee revenue totaling $126,706 and $230,984 from an entity that is an affiliate of the Company.

For the three and six months ended June 30, 2013 and 2012, the Company incurred interest expense to related parties (See Note 9).

NOTE 14. INCOME TAXES

For both the three and six months ended June 30, 2013 and for both the three and six months ended June 30, 2012, the quarterly effective tax rate of 2% and 3% 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, 2013, 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 $3,900,000 available for federal income tax purposes, which expire from 2013 to 2033.

NOTE 15. COMMITMENTS AND CONTINGENCIES

The Company leases its office facilities and various office equipment under non-cancelable operating leases which provide for minimum monthly rental payments. Pursuant to an office lease amendment dated September 2, 2011, the Company amended its office facilities agreement to reduce its leased office facilities and make monthly cash payments of $43,552. In amending the agreement, the Company and lessor also agreed to a reduction fee of $257,012, originally due by February 1, 2012, and subsequently agreed to be paid in equal installments over the remaining lease term. The first payment was payable on August 1, 2012. The lease expires on August 28, 2014. This balance is included in deferred rent.

Future minimum rental obligations, including the reduction fee, under leases as of June 30, 2013 are as follows:

Years Ending December 31:		
2013	$	339,983
2014		431,692
2015		1,218
Total minimum lease commitments	$	772,893

For the three and six months ended June 30, 2013 and 2012, the Company incurred facilities rent expense totaling $112,142, $219,462, $102,942 and $202,848, 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 is currently set to be 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.

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 and the matter is no longer 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 16. STOCK OPTIONS

The Company granted stock options to certain employees under the HGI 2007 Stock Plan, as amended (the "Plan"). The Company was authorized to issue 2,950,000 shares subject to options, or stock purchase rights under the Plan. These options (i) vest over a period no greater than two years, (ii) are contingently exercisable upon the occurrence of a specified event as defined by the option agreements, and (iii) expire three months following termination of employment or five years from the date of grant depending on whether or not the options were granted as incentive options or non-qualified options. At September 30, 2009, pursuant to the terms of the merger, 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, 2013, 438,300 option shares have been exercised. Total stock options outstanding through June 30, 2013 total 1,207,950. The weighted average remaining contractual life of the outstanding options at June 30, 2013 is approximately 2.4 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, 2011	1,462,350	$ 0.01 – 1.59	$ 0.81
Granted	—	—	—
Exercised	(10,000)	0.01	0.01
Canceled	(237,200)	0.01	0.01
Outstanding at December 31, 2012	1,215,150	$ 0.01 – 1.59	$ 0.97
Granted	—	—	—
Exercised	—	—	—
Canceled	(7,200)	0.01	0.01
Outstanding at June 30, 2013	1,207,950	$ 0.01 – 1.59	$ 0.97

All stock options granted under the Plan and as of June 30, 2013 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 September 30, 2009. Total compensation cost expensed over the vesting period of stock options was $2,103,948, all of which was expensed as of September 30, 2011.

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, 2013, 20,000 shares were granted 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. Total compensation cost expensed over the vesting period of the stock options was $6,800, all of which was expensed in the year ended December 31, 2012. As of June 30, 2013, none of the shares issued under the 2010 Stock Plan have been exercised.

NOTE 17. 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 will be subject to clawback (and cancellation) by Halo in the event that EAM does not generate at least three million dollars ($3,000,000) in new capital to Halo within twelve months following the closing. Halo shall have the right to claw back 2.5 shares of Halo common stock for every dollar not raised within the twelve months. Any cash generated by EAM will need to be designated for use in Halo’s general operations and not that of the EHF business to release the clawback rights.

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

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

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. To date, the Company's transfer agent has 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. At the time of issuing these consolidated financial statements, the Company has been unsuccessful in its attempts to procure the physical certificates for presentment to the transfer agent, and the Company has yet to secure a court order requiring the transfer agent to cancel the certificates. Accordingly, the 21,200,000 shares issued are still outstanding at June 30, 2013.

The Company's total common shares outstanding totaled 66,364,083 at June 30, 2013.

Preferred Stock

In connection with the merger, the Company authorized 1,000,000 shares of Series Z Convertible Preferred Stock with a par value of $0.01 per share (the "Series Z Convertible Preferred"). The number of shares of Series Z Preferred Stock may be decreased by resolution of the Board; provided, however, that no decrease shall reduce the number of Series Z Preferred Shares to less than the number of shares then issued and outstanding. In the event any Series Z Preferred Shares shall be converted, (i) the Series Z Preferred Shares so converted shall be retired and cancelled and shall not be reissued and (ii) the authorized number of Series Z Preferred Shares set forth in this section shall be automatically reduced by the number of Series Z Preferred Shares so converted and the number of shares of the Corporation's undesignated Preferred Stock shall be deemed increased by such number. The Series Z Convertible Preferred is convertible into common shares at the rate of 45 shares of common per one share of Series Z Convertible Preferred. The Series Z Convertible Preferred has liquidation and other rights in preference to all other equity instruments. Simultaneously upon conversion of the remaining Series A Preferred, Series B Preferred, and Series C Preferred and exercise of any outstanding stock options issued under the HGI 2007 Stock Plan into Series Z Convertible Preferred, they will automatically, without any action on the part of the holders, be converted into common shares of the Company. 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, 2013, 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 $1,436,770 as of June 30, 2013. As of June 30, 2013, there were 143,677 shares authorized with 143,677 shares issued and outstanding. Of the 143,677 shares issued and outstanding, 53,677 shares were related to the 2010 conversion from notes payable due to related parties. The remaining 90,000 shares were issued for cash consideration.

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, 2013. 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, 2013, 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 $629,376, of which $69,877 is an accrued (but undeclared) dividend as of June 30, 2013. 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, 2013, 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 $517,336, of which $57,424 is an accrued (but undeclared) dividend as of June 30, 2013. 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, 2013, 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 $348,826, of which $38,826 is an accrued (but undeclared) dividend as of June 30, 2013. 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, 2013, 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, 2013, 372,999 shares of Series A Preferred, 229,956 shares of Series B Preferred, and 124,000 shares of Series C Preferred, all with a par value of $0.001.

NOTE 18. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Company received $65,000 of the remaining $65,000 promissory note receivable (discussed in Note 1). The promissory note receivable has been paid in full as of August 13, 2013.

There were no other subsequent events to disclose.

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

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q that are not statements of historical fact constitute "forward-looking statements". Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. Although the Company believes that the current views and expectations reflected in these forward-looking statements are reasonable, those views and expectations, and the related statements, are inherently subject to risks, uncertainties, and other factors, many of which are not under the Company's control. Those risks, uncertainties, and other factors could cause the actual results to differ materially from those in the forward-looking statements. Those risks, uncertainties, and factors (including the risks contained in the section of this report titled "Risk Factors") that could cause the Company's actual results, performance or achievements to differ materially from those described or implied in the forward-looking statements and its goals and strategies to not be achieved. 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.

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 collecting 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 get 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 5,100 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 nine 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, 2013 compared to the three and six months ended June 30, 2012

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, 2013, revenue increased $2,222,801 and 292% to $2,983,081 from $760,280 for the three months ended June 30, 2012. Of the $2,222,801 increase, $1,897,532 or 85% is related to HAM. 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. The Company saw an increase in its success fees during the three months ended June 30, 2013 compared to the three months ended June 30, 2012, primarily attributable to a significant transaction during the current quarter in which Halo facilitated and earned a fee of $1,700,000 for the sale of a majority of one of its customer's assets to another existing Halo customer. At the time of the transaction, a majority of the assets remained (but re-boarded as a new client) on Halo's platform for continued services. As such, during the three months ended June 30, 2013, there was a material increase in the number of assets boarded compared to the three months ended June 30, 2012 and thus an increase in the initial asset management fee. Outside of the $1,700,000 one-time significant transaction noted above, the Company saw a reduction in its remaining success fees during the three months ended June 30, 2013 compared to the three months ended June 30, 2012. This reduction is primarily attributable to the volume of assets in our book considered sellable in early 2012 compared to early 2013. As the Company successfully earns a default/disposition success fee on a unit, that unit is no longer in its potential success fee pipeline. As the pipeline of units decreases, the Company would expect its overall success fees to decrease (all other factors such as reset value, workout rate, etc. remaining the same). Lastly, related to HAM, the Company saw a slight increase in monthly service fees for the three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Of the $2,222,801 increase in revenue noted above, the remaining $325,269 or 15% is primarily related to revenue growth attributable to the increase of assets under property preservation management and fees associated with portfolio strategy consulting and portfolio acquisition support. All of the above mentioned increases in revenue are slightly offset by a decrease in revenue related to previous immaterial subsidiaries of the Company having some transactional revenue for the three months ended June 30, 2012, compared to zero activity for the three months ended June 30, 2013 (entities sold in 2012). Overall, looking forward to the remainder of 2013 (the second full calendar year that HAM has been operational), the Company continues to evaluate and refine its sales and marketing process to increase its earning potential. This process has and will continue to include management evaluating its sales methodology, sale closing efficiency, personnel and incentives, marketing sources, technology support, asset count, type of assets under management, and customer base.

For the six months ended June 30, 2013, revenue increased $1,191,180 and 44% to $3,868,298 from $2,677,118 for the six months ended June 30, 2012. The increase is primarily attributable to the second quarter increase of $2,222,801 noted above, offset by $1,031,621 decrease in revenue for the three months ended March 31, 2013 compared to the three months ended March 31, 2012. As discussed in the form 10-Q for the period ended March 31, 2013, the decrease was primarily related to the overall reduction in HAM's initial asset management fee and success fee revenue during the first quarter of 2013.

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 increased $253,653 and 77% to $581,828 for the three months ended June 30, 2013 from $328,175 for the three months ended June 30, 2012. The increase is primarily attributable to variable expense associated with the above noted increases in revenues in HPA (for property preservation management and fees associated with portfolio strategy consulting and portfolio acquisition support) over the same time period. For the six months ended June 30, 2013, sales and marketing expenses increased $163,517 and 19% to $1,021,463 for the six months ended June 30, 2013 from $857,946 for the six months ended June 30, 2012. This increase is primarily attributable to the following factors; (1) overall increase in HPA direct sales cost and marketing associated with the above noted increases in HPA revenues, (2) offset by decreases attributable to a reduction in contract service cost from the Company's servicer (external non-salaried sales force) in line with the Company's reduction of success fees discussed above. When regulation requires, the Company outsources part of its sales process to its licensed sub servicer. As success fees decrease related to the Company's note modification default strategy, the contract service cost related to those success fees also decreases.

General and administrative expenses decreased $114,959 and 30% to $263,197 for the three months ended June 30, 2013 from $378,156 for the three months ended June 30, 2012. The variance is primarily attributable to multiple variances including legal fees (Company had reduced legal fees and recovered previously incurred legal cost from its insurance carrier's coverage in defending the litigation matters discussed in Note 15 to the consolidated financial statements), general insurance expense, utilities, and general overhead expenditures. General and administrative expenses decreased $172,988 and 24% to $559,978 for the six months ended June 30, 2013 from $732,966 for the six months ended June 30, 2012, primarily attributable the same decreases noted above.

Salaries, wages and benefits decreased $80,596 and 12% to $576,884 for the three months ended June 30, 2013 from $657,480 for the three months ended June 30, 2012. The decrease is primarily attributable to a reduction in overall employee headcount primarily in the HDS, HCS, HFS and HSIS entities that were operational during the first part of 2012 until sold, as discussed in Note 2 of the consolidated financial statements. Salaries, wages and benefits decreased $128,166 and 10% to $1,157,315 for the six months ended June 30, 2013 from $1,285,481 for the six months ended June 30, 2012, primarily attributable to the decreases in headcount noted above, offset by an increase in HAM payroll during the first part of the year 2013 compared to the same time period during 2012. Looking forward to the remainder of 2013, the Company will continue to gauge its headcount in the HAM subsidiary in line with the growth of asset units managed under HAM. 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.

The Company experienced an overall increase in its net income of $2,131,582 and 290% to a net income of $1,396,961 for the three months ended June 30, 2013 from net loss of $734,621 for the three months ended June 30, 2012, primarily attributable to the reasons noted above. The Company experienced an overall increase in its net income of $1,332,554 and 293% to a net income of $877,084 for the six months ended June 30, 2013 from net loss of $455,470 for the six months ended June 30, 2012, 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, 2012. There have been no significant changes in our significant accounting policies since the last fiscal year end 2012.

Liquidity and Capital Resources

As of June 30, 2013, the Company had cash and cash equivalents of $82,968. The decrease of $101,153 in cash and cash equivalents from December 31, 2012 was due to net cash used in financing activities of $1,240,632, offset by net cash provided by operating activities and investing activities of $1,101,546 and $37,933, respectively.

Net cash provided by operating activities was $1,101,546 for the six months ended June 30, 2013, compared to $916,065 net cash used in operating activities for the six months ended June 30, 2012. The net cash provided by operating activities for the six months ended June 30, 2013 was due to net income of $877,084 adjusted primarily by the following: (1) an increase in accounts payable of $276,166 and accrued and other liabilities of $113,518 (includes long term accrued interest), (2) reduction of the non-controlling interest balance from $82,460 to $0, and (3) offset by a decrease in deferred rent of $93,114 and an increase in gross trade accounts receivable of $196,555. The remaining immaterial variance is related to non cash depreciation and amortization, bad debt expense, non cash gain on the change in fair value of derivative, and an increase in deferred revenue.

The accounts payable increase of $276,166 is primarily the result of the timing of payments in monthly vendor commitments and payables. The Company strategically and pro-actively monitors the timing and aging of vendor payables and cash flow outlays. The $113,518 increase in accrued and other liabilities is primarily related to both the increase in deferred compensation to a portion of the management team. The increase in accrued and other liabilities is offset by a decrease in salaries and wages payable due to the timing of the payroll pay date for the period ending December 31, 2012 compared to June 30, 2013. The increase is also offset by a decrease in accrued interest at June 30, 2013, compared to December 31, 2012, primarily related to the payment on the secured asset promissory note and its corresponding accrued interest discussed in Note 12 of the consolidated financials. The decrease in deferred rent of $93,114 is due to the Company paying more in monthly contractual rental cash payments than straight line rent expense. The increase in gross trade accounts receivable of $196,555 is primarily related to the increase in accounts receivable balance in both HAM and HPA as of June 30, 2013, compared to December 31, 2012.

Net cash provided by investing activities was $37,933 for the six months ended June 30, 2013, compared to net cash provided by investing activities of $37,550 for the six months ended June 30, 2012. Investing activities for the six months ended June 30, 2013 consisted primarily of $100,000 in proceeds received on the note receivable from the sale of the HDS, HFS, and HCS subsidiaries, offset by $62,067 in purchases of software and computer equipment.

Net cash used in financing activities was $1,240,632 for the six months ended June 30, 2013, compared to net cash provided by financing activities of $329,968 for the six months ended June 30, 2012. Financing activities for the six months ended June 30, 2013 consisted primarily of the $1,200,000 principal payment on the secured asset promissory note, $115,551 in principal payments on notes payable to related parties, $73,583 in principal payments on subordinated debt, and $8,509 payment of principal on the note payable, offset by the proceeds received of $157,011 from notes payable to related parties.

As shown below, at June 30, 2013, our contractual cash obligations totaled approximately $1,933,178, all of which consisted of operating lease obligations and debt principal and accrued interest repayment.

Contractual Obligations	Payments due by December 31, 2013	2014-2015	2016-2017	2018 & Thereafter	Total
Debt Obligations	$ 841,833	$ 228,530	$ 89,922	$ 0	$ 1,160,285
Operating Lease Obligations	$ 339,983	$ 432,910	$ 0	$ 0	$ 772,893
Total Contractual Cash Obligations	$ 1,181,816	$ 661,440	$ 89,922	$ 0	$ 1,933,178

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 has recognized net income of $877,084 for the six months ended June 30, 2013, however, as included in the consolidated statements of cash flows, the Company has used a material amount of its net cash provided by operating activities towards the repayment of previously borrowed financing sources. The Company is actively seeking growth of its asset units under management, both organically and via new client relationships. Secondarily, 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. 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. 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 15 to the consolidated financial statements, there are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have, a material effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. Our business is highly leveraged and, accordingly, is 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 disclosure. It should be noted that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

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

Part II - Other Information

Item 1. Legal Proceedings

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 is currently set to be 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.

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 and the matter is no longer pending before the court.

See Note 15 to the consolidated financial statements for more information.

Item 1A. Risk Factors

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

We will need additional financing to implement our business plan. The Company will need additional financing to fully implement its business plan in a manner that not only continues to expand an already established direct-to-consumer approach, but also allows the Company to establish a stronger brand name in all the 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 Halo Asset Management and Halo Portfolio Advisors 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 Halo Asset Management and Halo Portfolio Advisors 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 Halo Asset Management and Halo Portfolio Advisors 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 OTCQB, which may have an unfavorable impact on our stock price and liquidity. The Company's common stock is quoted on the OTCQB, which is a significantly more limited market than the New York Stock Exchange or NASDAQ. The trading volume may be limited by the fact that many major institutional investment funds, including mutual funds, follow a policy of not investing in Bulletin Board stocks and certain major brokerage firms restrict their brokers from recommending Over the Counter stock because they are considered speculative and volatile.

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

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

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

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

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

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

As discussed in Note 12 of the accompanying consolidated financial statements, 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, 2013. The new promissory note will accrue interest at a 10% annual rate, with interest only payments due periodically and final balloon payment due at maturity. Subsequent to the payment and new promissory note of accrued interest, the Company is no longer in default with its secured asset promissory note holder.

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 14, 2013	By: /s/ Brandon Cade Thompson Brandon Cade Thompson Chief Executive Officer (Principal Executive Officer)
Date: August 14, 2013	By: /s/ Robbie Hicks Robbie Hicks Chief Accounting Officer (Principal Financial Officer)