UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2006
OR

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

For the transition period from __________ to ________

Commission File No. 000-50343

INTEGRATED ALARM SERVICES GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
(I.R.S. Employer Identification No.)
42-1578199

One Capital Center
99 Pine Street, 3rd Floor
Albany, New York 12207
(Address of principal executive offices) (zip code)

(518) 426-1515
(Registrant's telephone number, including area code)
(Former name or former address, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).
Large accelerated filer ☐
Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of August 1, 2006, there were 24,368,836 shares of the registrant's common stock outstanding.

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INTEGRATED ALARM SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2005	June 30, 2006
		(UNAUDITED)
	(in thousands, except for share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 16,239	$ 17,627
Current portion of notes receivable	6,108	6,207
Accounts receivable less allowance for doubtful accounts	5,158	4,133
Inventories	1,477	1,331
Prepaid expenses	1,084	1,492
Due from related parties	87	73
Total current assets	30,153	30,863
Property and equipment, net	7,843	7,643
Notes receivable net of current portion and allowance for doubtful accounts	10,085	10,140
Dealer relationships, net	33,000	30,737
Customer contracts, net	80,532	68,584
Deferred customer acquisition costs, net	7,874	8,396
Goodwill	94,919	91,265
Debt issuance costs, net	4,596	4,161
Assets of business transferred	-	8,178
Other identifiable intangibles, net	2,790	2,472
Restricted cash	758	287
Other assets	524	326
Total assets	$ 273,074	$ 263,052
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of capital lease obligations	$ 350	$ 216
Accounts payable	2,306	1,423
Accrued expenses	9,256	8,601
Current portion of deferred revenue	8,724	7,701
Other liabilities	390	418
Total current liabilities	21,026	18,359
Long-term debt, net of current portion	125,000	125,000
Capital lease obligations, net of current portion	461	274
Deferred revenue, net of current portion	4,830	5,274
Liabilities of business transferred	-	1,050
Advance payment		827
Deferred income taxes	1,582	1,776
Due to related parties	61	76
Total liabilities	152,960	152,636
Commitments and Contingencies	-	-
Stockholders' equity:		
Preferred stock, $0.001 par value, authorized 3,000,000 shares, none issued and outstanding	-	-
Common stock, $0.001 par value, authorized 100,000,000 shares, 24,681,462 shares issued	25	25
Paid-in capital	207,162	207,325
Accumulated deficit	(86,073)	(95,934)
Treasury stock - common, at cost, 312,626 shares	(1,000)	(1,000)
Total stockholders' equity	120,114	110,416
Total liabilities and stockholders' equity	$ 273,074	$ 263,052

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

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INTEGRATED ALARM SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005 AND 2006
(UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	**2006**	**2005**	**2006**
	(in thousands, except share and per share data)			
Revenue:				
Monitoring fees	$ 7,750	$ 7,574	$ 15,572	$ 15,407
Revenue from customer accounts	15,419	12,952	29,701	26,628
Related party monitoring fees	34	24	67	50
Service, installation and other revenue	1,485	2,520	3,806	5,133
Total revenue	24,688	23,070	49,146	47,218
Expenses:				
Cost of revenue (excluding depreciation and amortization)	10,429	9,751	20,748	19,202
Selling and marketing	1,360	1,404	2,519	2,677
Depreciation and amortization	7,142	7,416	13,256	13,794
(Gain) loss on sale or disposal of assets	442	(19)	442	(29)
Loss on business transferred	-	500	-	500
General and administrative	8,054	6,953	14,161	13,907
Total expenses	27,427	26,005	51,126	50,051
Income (loss) from operations	(2,739)	(2,935)	(1,980)	(2,833)
Other income (expense):				
Amortization of debt issuance costs	(282)	(242)	(556)	(484)
Interest expense	(4,301)	(4,160)	(8,487)	(8,277)
Interest income	1,123	1,035	2,378	2,070
Income (loss) before income taxes	(6,199)	(6,302)	(8,645)	(9,524)
Income tax expense	141	145	281	337
Net income (loss)	$ (6,340)	$ (6,447)	$ (8,926)	$ (9,861)
Basic and diluted income (loss) per share	$ (0.26)	$ (0.26)	$ (0.36)	$ (0.40)
Weighted average number of common shares outstanding	24,681,462	24,368,836	24,681,462	24,368,836

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

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INTEGRATED ALARM SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2006
(UNAUDITED)

	For the Six Months Ended June 30,	
	2005	2006
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (8,926)	$ (9,861)
Adjustments to reconcile net loss to net cash		
provided by operating activities:		
Depreciation and amortization	13,256	13,794
Amortization of deferred customer acquisition costs , net	252	375
Amortization of debt issuance costs	556	484
Interest expense - non-cash, notes	441	-
Stock-based compensation	-	163
Provision for bad debts	643	(81)
Deferred income taxes	219	194
Earned discount on notes receivable	(615)	(500)
Loss on business transferred	-	500
(Gain) loss on sale or disposal of assets	442	(29)
Changes in assets and liabilities, net of effects of		
acquisitions and non-cash transactions:		
Accounts receivable	32	1,077
Inventories	72	96
Prepaid expenses	(69)	(408)
Other assets	(31)	180
Deferred customer acquisition costs	(2,911)	(1,807)
Due from/to related parties	(56)	29
Accounts payable and accrued expenses	(1,416)	(1,315)
Deferred revenue	(31)	(814)
Deferred revenue - bundled arrangements	1,943	1,454
Other liabilities	20	27
Net cash provided by operating activities	3,821	3,558
Cash flows from investing activities:		
Purchase of property and equipment	(1,004)	(1,336)
Proceeds from sale of property and equipment	-	7
Purchase of customer contracts and dealer relationships	(11,747)	(2,428)
Proceeds from sale of customer contracts and accounts receivable	-	254
Financing of dealer loans	(2,440)	(5,178)
Repayment of dealer loans	7,431	5,851
Increase in restricted cash	(643)	471
Proceeds from net assets of business transferred, net of direct incremental costs	-	450
Business acquisitions, net of cash acquired	(123)	(62)
Net cash used in investing activities	(8,526)	(1,971)
Cash flows from financing activities:		
Payments of obligations under capital leases	(244)	(150)
Repayment of long-term debt	(835)	-
Debt issuance costs	(329)	(49)
Net cash used in financing activities	(1,408)	(199)
Net (decrease) increase in cash and cash equivalents for the year	(6,113)	1,388
Cash and cash equivalents at beginning of year	31,555	16,239
Cash and cash equivalents at end of period	$ 25,442	$ 17,627
Supplemental disclosure of cash flow information:		
Interest paid	$ 7,877	$ 8,275
Income taxes paid	$ 50	$ 171
Supplemental disclosure of non-cash items:		
Net assets of business transferred	$ -	$ 5,851
Notes receivable converted to customer contracts	$ 3,298	$ 714

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

INTEGRATED ALARM SERVICES GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Management Opinion

The financial information as of June 30, 2006 and for the three and six months ended June 30, 2006 and 2005, in the opinion of management, includes all adjustments, consisting of normal recurring adjustments, that are considered necessary for fair presentation of the financial position, results of operations and cash flows of Integrated Alarm Services Group, Inc. and Subsidiaries' ("IASG" or the "Company") for the three and six months ended June 30, 2006 in accordance with accounting principles generally accepted in the United States of America. The results for any interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have not been presented herein, in accordance with regulations. These financial statements should be read in conjunction with financial statements and notes thereto for the year ended December 31, 2005 included in the Company's Annual Report on Form 10-K. The 2005 year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). Certain prior period expenses in the consolidated statement of operations have been reclassified to conform to the current period presentation.

2. Notes Receivable

The Company's notes receivable consisted of the following:

	December 31, 2005	June 30, 2006
	(in thousands)	
Performing loans	$ 17,693	$ 17,400
Non-performing loans	1,664	1,144
Total Loans	19,357	18,544
Less: Reserves	(246)	(246)
Purchase discount	(2,918)	(1,951)
Net loans	$ 16,193	$ 16,347

At December 31, 2005 and June 30, 2006, the Company had non-performing loans aggregating approximately $1,664,000 and $1,144,000, respectively. Currently the cash flow from the underlying collateral supports the carrying value of the loans, therefore no impairment charge was recorded. However, if the cash flow from the underlying collateral deteriorates, it may result in a future charge to earnings.

As part of the acquisitions of National Alarm Computer Center ("NACC") in 2004 and Financial Security Services, Inc. ("FSS") in 2005, the Company agreed to assume NACC and FSS's obligations to provide open lines of credit to Dealers, subject to the terms of the agreements with the Dealers. At December 31, 2005 and June 30, 2006, amounts available to Dealers under these lines of credit were $6,195,000 and $4,900,000, respectively. The Company intends to fund these commitments with available funds and available capacity under the $30.0 million LaSalle Credit Facility.

The purchase discount resulted from the acquisitions of NACC and FSS. Unamortized purchase discount on acquired notes that are prepaid within the first year of acquisition is offset to goodwill.

3. Goodwill and Intangibles

During the six months ended June 30, 2006, goodwill decreased by approximately $3,654,000, due primarily to the allocation of approximately $2,659,000 to net assets of business transferred and approximately $995,000 primarily from FSS loans being prepaid during the six months ended June 30, 2006.

3. Goodwill and Intangibles *(cont.)*

The Company accounts for its goodwill under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"). Under SFAS No. 142, goodwill is not amortized, but it is tested for impairment at least annually.

Each year the Company tests for impairment of goodwill according to a two-step approach. In the first step, the Company tests for impairment of goodwill by estimating the fair values of its reporting units using the present value of future cash flows approach, subject to a comparison for reasonableness to its market capitalization at the date of valuation. If the carrying amount exceeds the fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any. In the second step, the implied fair value of the goodwill is estimated as the fair value of the reporting unit used in the first step less the fair values of all other net tangible and intangible assets of the reporting unit. If the carrying amount of the goodwill exceeds its implied fair market value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. In addition, goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company performs its annual impairment test in the third quarter of each year and to date has not been required to record an impairment charge. During the second quarter of 2004 and continuing through the second quarter of 2006, the common stock of the Company traded below its book value. After evaluating current financial forecasts and operating trends, Management continues to believe that goodwill was not impaired at June 30, 2006. A non-cash goodwill impairment charge may result in a future period if there is a decline in estimated future earnings and cash flows.

Customer Contracts and Dealer Relationships

SFAS No. 144 *Accounting for the Impairment or Disposal of Long Lived Assets* requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the assets to be held and used is measured by a comparison of the carrying amount of the assets with the future net cash flows expected to be generated. Cash flows of dealer relationships and retail customer contracts are analyzed at the same group level (acquisition by acquisition and portfolio grouping, respectively) that they are identified for amortization, the lowest level for which independent cash flows are identifiable. All other long-lived assets are evaluated for impairment at the Company level, using one asset grouping. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company has identified no impairment losses during the six months ended June 30, 2005 and 2006.

Customer contracts at June 30, 2006 consist of the following:

	Existing Portfolio	Dealer Acquired	Contracts assumed from Dealers	Total
		(in thousands)		
Customer contracts December 31, 2005	$ 88,784	$ 30,037	$ 8,059	$ 126,880
Purchases	-	3,144	16	3,160
Sales and adjustments	(8,507)	(164)	-	(8,671)
Customer contracts June 30, 2006	80,277	33,017	8,075	121,369
-				
Accumulated amortization December 31, 2005	28,657	11,881	5,810	46,348
Amortization	7,136	2,218	653	10,007
Amortization adjustments - sales	(3,528)	(42)	-	(3,570)
Accumulated amortization June 30, 2006	32,265	14,057	6,463	52,785
Customer contracts, net December 31, 2005	$ 60,127	$ 18,156	$ 2,249	$ 80,532
Customer contracts, net June 30, 2006	$ 48,012	$ 18,960	$ 1,612	$ 68,584

Customer contract amortization expense for the three months ended June 30, 2005 and 2006 was $5,592,000 and $5,464,000, respectively. Customer contract amortization expense for the six months ended June 30, 2005 and 2006 was $9,882,332 and $10,007,000, respectively. The amortization expense was reduced by approximately $545,000 and $105,000 using attrition reserves from contract purchase transactions for the six months ended June 30, 2005 and 2006, respectively. The primary decrease in gross customer contracts is the result of the sale of contracts more fully described in Note 8.

3. Goodwill and Intangibles *(cont.)*

Dealer relationships consist of the following:

	Relationships	Accumulated Amortization	Net
		(in thousands)	
December 31, 2005	$ 58,529	$ 25,529	$ 33,000
Additions	-	2,263	$ (2,263)
June 30, 2006	$ 58,529	$ 27,792	$ 30,737

Amortization expense for dealer relationships was $1,145,000 and $1,132,000 for the three months ended June 30, 2005 and 2006, respectively. Amortization expense for dealer relationships was $2,293,000 and $2,263,000 for the six months ended June 30, 2005 and 2006, respectively.

Estimated amortization expense of customer contracts, dealer relationships and other identifiable intangible assets for the years ending December 31, 2006 through 2010 is as follows:

Year		Customer Contracts	Dealer Relationships	Other Identifiable Intangible Assets	Deferred Customer Acquisition Costs	Total
				(in thousands)		
2006	(six months)	$ 4,946	$ 2,236	$ 318	$ 971	$ 8,471
2007		8,364	4,060	615	1,788	14,827
2008		7,600	3,802	599	1,505	13,506
2009		6,779	3,542	554	1,175	12,050
2010		5,811	3,277	119	820	10,027

Customer contract amortization for existing portfolios acquired subsequent to January 31, 2003 is calculated using an 18 year straight-line rate. No attrition has been recognized in the customer contract amortization projected for future years. The actual amortization expense in future periods will be higher due to the impact of attrition. The net unamortized cost of portfolios subject to variable amortization based upon attrition was approximately $44,590,000 as of June 30, 2006.

4. Stockholders' Equity

Stock-Based Compensation

The Company's 2003 Stock Option Plan and 2004 Stock Option Plan, collectively ("SOP") permit the grant of options which may either be "incentive stock options" ("ISOs") or "non-qualified stock options: ("NSOs"). The total number of shares of our common stock that may be issued under the SOP may not exceed 1,350,000, subject to possible adjustment in the future as described below. All employees, officers, directors, consultants and independent contractors of the Company, or of any parent, subsidiary or affiliate are eligible to be granted options.

The exercise price of an option granted under the SOP may not be less than 100% of the fair market value of the Company's common stock on the date of grant (110% of such fair market value in the case of an ISO granted to an optionee who owns or is deemed to own stock possessing more than 10% of the combined voting power of all classes of our stock).

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4. Stockholders' Equity *(cont.)*

The number of shares of common stock authorized for issuance under the SOP may be adjusted in the event our shares of common stock are changed into, or exchanged for cash, or securities of another entity through a reorganization, merger, recapitalization, reclassification, stock split, stock dividend, stock consolidation or combination or other similar transaction.

In the event of the occurrence of any of the foregoing, the compensation committee may adjust the number of authorized shares under the SOP, and the options issued under the SOP, as appropriate under the circumstances.

Prior to January 1, 2006, the Company accounted for activity under the employee stock plans using the intrinsic value method prescribed by Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, and had adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* as amended by SFAS No. 148, (A*ccounting for Stock-Based Compensation-Transition and Disclosure).* Under APB No. 25, the Company generally recognized no compensation expense with respect to options granted to employees and directors as the option exercise price is generally equal to or greater than the fair value of the Company's common stock on the date of the grant. The value of stock options granted to non-employees were expensed.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123 (revised), *Share-Based Payment* ("FAS 123R"), an amendment of FAS No. 123 ("FAS 123"), *Accounting for Stock-Based Compensation*. FAS 123R eliminates the ability to account for share-based payments using Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and instead requires companies to recognize compensation expense using a fair-value based method for costs related to share-based payments including stock options and employee stock purchase plans. The expense will be measured as the fair value of the award at its grant date based on the estimated number of awards that are expected to vest, and recorded over the applicable service period. In the absence of an observable market price for a share-based award, the fair value would be based upon a valuation methodology that takes into consideration various factors, including the exercise price of the award, the expected term of the award, the current price of the underlying shares, the expected volatility of the underlying share price, the expected dividends on the underlying shares and the risk-free interest rate. The standard also provides for different transition methods for past award grants, including the restatement of prior period results. The Company has elected to apply the modified prospective transition method to all past awards outstanding and unvested as of the effective date of January 1, 2006 and will recognize the associated expense over the remaining vesting period based on the fair values previously determined and disclosed as part of our pro-forma disclosures. The Company will not restate the results of prior periods. Prior to the effective date of FAS 123R, the Company provided the pro-forma disclosures for past award grants as required under FAS 123. As such, the Company has recognized expense for unvested options during the quarter ended June 30, 2005 and 2006 of approximately $0 and $135,000, respectively. The Company has recognized expense for unvested options of $0 and $163,000 for the six months ended June 30, 2005 and 2006, respectively.

The Company used the Black-Scholes option-pricing model ("Black-Scholes") as its method of valuation under FAS 123R in fiscal year 2006 and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Black-Scholes was previously used for the Company's proforma information required under FAS 123 for periods prior to fiscal year 2006. The fair value of share-based payment awards on the date of grant as determined by the Black-Scholes model is affected by our stock price as well as other assumptions, including, but not limited to the expected volatility over the term of the awards and risk-free interest rate.

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4. Stockholders' Equity *(cont.)*

The following table reflects the proforma information of the Company for the three and six months ended June 30, 2005 as if the compensation cost had been determined in accordance with the fair value-based method prescribed by FAS 123R.

	Three Months Ended June 30, 2005 Proforma (in thousands, except per share amounts)	Six Months Ended June 30, 2005 Proforma (in thousands, except per share amounts)
Net income (loss), as reported [(1)]	$ (6,340)	$ (8,926)
Less: Stock-based compensation expense, net of tax [(2)]	(38)	(81)
Net income including the effect of stock-based compensation [(3)]	$ (6,378)	$ (9,007)
Net income (loss) per share, as reported for the prior period-basic and diluted [(1)]	$ (0.26)	$ (0.36)
Net income (loss) per share-basic and diluted, including the effect of stock-based compensation expense [(3)]	$ (0.26)	$ (0.37)

(1) Net income and net income (loss) per share for periods prior to fiscal year 2006 do not include stock-based compensation expense under FAS 123, because the Company did not adopt the recognition provisions of FAS 123.

(2) Stock-based compensation expense for periods prior to fiscal year 2006 was calculated based on the proforma application of FAS 123. There is no tax benefit associated with the compensation expense due to the full valuation allowance on deferred tax benefits.

(3) Net income (loss) per share for periods prior to fiscal year 2006 represent proforma information based on FAS 123.

The Company recognized approximately $135,000 of stock-based compensation expense during the quarter ended June 30, 2006. This expense had $0.01 impact on the net loss per share for the quarter ended June 30, 2006.

The Company recognized approximately $163,000 of stock-based compensation expense in the six months ended June 30, 2006. This expense had $0.01 impact on the net loss per share for the period ended June 30, 2006.

As of June 30, 2006, there was approximately $250,000 of unamortized compensation cost related to non-vested stock option awards, which is expected to be recognized over a remaining weighted average vesting period of 0.4 years.

Company stock options outstanding as of June 30, 2006 are as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Options outstanding at December 31, 2005	2,258,416	$ 8.97	
Options issued during 2006	225,000	$ 4.92	
Option forfeited during 2006	(23,916)	$ 5.70	
Options outstanding at June 30, 2006	2,459,500	$ 8.63	7.17
Options exercisable at June 30, 2006	1,298,911	$ 8.94	7.20

4. Stockholders' Equity *(cont.)*

There were no options exercised during the second quarter of 2006.

The options disclosed in the table above had no aggregate intrinsic value associated with them at June 30, 2006.

Company stock options outstanding become exercisable as follows:

Period Ending	Option Plan Option Shares	Weighted Average Exercise Price	Shareholder Option Shares	Weighted Average Exercise Price
Currently exercisable	167,245	$ 6.60	1,140,000	$ 9.25
December 31, 2006	225,750	$ 4.92	802,000	$ 9.25
December 31, 2007	26,505	$ 5.68	42,000	$ 9.25
December 31, 2008	-	-	56,000	$ 9.25
	419,500	$ 5.64	2,040,000	$ 9.25

The following table summarizes the activity related to stockholders' equity for the six months ended June 30, 2006:

	Common Stock		Paid-in	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
	(in thousands, except share and per share amounts)						
Balance, December 31, 2005	24,681,462	$ 25	$ 207,162	$ (86,073)	312,626	$ (1,000)	$ 120,114
Net income (loss)	-	-	-	(9,861)	-	-	(9,861)
Stock-based compensation	-	-	163	-	-	-	163
Balance, June 30, 2006	24,681,462	$ 25	$ 207,325	$ (95,934)	312,626	$ (1,000)	$ 110,416

Dividend payments are restricted by both the revolving credit agreement (no outstanding balance) and the $125 million Senior Secured Notes ("Notes"). The revolving credit agreement does not permit the payment of any dividends. To pay a cumulative dividend in excess of $1.5 million, the Notes would require cumulative net income in excess of $40 million and a fixed charge coverage ratio in excess of 2.5 to 1.0.

5. Income Taxes

A benefit related to the projected losses may not be recognized due to the Company's continued belief that a full valuation allowance is required as an offset to its deferred tax assets. Deferred tax expense is a result of an increase in deferred tax liabilities. The deferred tax liability represents the state deferred tax liability of IASG which cannot be offset by the state deferred tax asset of its subsidiaries due to the companies being subject to state taxes in different state tax jurisdictions and deferred tax liabilities relating to tax goodwill basis differences associated with acquisitions. Current taxes include minimum taxes, capital taxes and state income taxes imposed on companies in separate taxing jurisdictions.

6. Income (Loss) per Common Share

The income (loss) per common share is as follows:

	Three Months Ended June 30,	
	2005	2006
	(in thousands, except share and per share amounts)	
Numerator		
Net income (loss)	$ (6,340)	$ (6,447)
Denominator		
Weighted average shares outstanding	24,681,462	24,368,836
Net income (loss) per share	$ (0.26)	$ (0.26)

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6. Income (Loss) per Common Share *(cont.)*

	Six Months Ended June 30,	
	2005	2006
	(in thousands, except share and per share amounts)	
Numerator		
Net income (loss)	$ (8,926)	$ (9,861)
Denominator		
Weighted average shares outstanding	24,681,462	24,368,836
Net income (loss) per share	$ (0.36)	$ (0.40)

The shares represented by options and convertible promissory notes below have not been included as common stock equivalents, as they would be anti-dilutive.

	For the Three Months Ended June 30,			
	2005	Weighted Average Option Price	2006	Weighted Average Option Price
Weighted stock options and convertible promissory notes outstanding are as follows:				
Convertible promissory notes	632,564	$ 6.94	-	$ -
Stock option plans	120,916	$ 4.68	207,167	$ 4.85
Shareholder options	1,900,000	$ 9.25	2,040,000	$ 9.25
Total	2,653,480		2,247,167	

	For the Six Months Ended June 30,			
	2005	Weighted Average Option Price	2006	Weighted Average Option Price
Weighted stock options and convertible promissory notes outstanding are as follows:				
Convertible promissory notes	632,564	$ 6.94	-	$ -
Stock option plans	212,000	$ 6.41	419,500	$ 5.64
Shareholder options	1,900,000	$ 9.25	2,040,000	$ 9.25
Total	2,744,564		2,459,500	

7. Litigation

In March 2003, Protection One, a company engaged in the business of providing security and other alarm monitoring services to residential and commercial customers, brought an action against the Company in the Superior Court of New Jersey, Camden County for unspecified damages in connection with the Company’s purchase of certain alarm monitoring contracts from B&D. B&D had previously sold alarm monitoring contracts to Protection One. As part of such sales, B&D agreed not to solicit any customers whose contracts had been purchased and to keep certain information confidential. Protection One claims that the Company’s subsequent purchase of contracts from B&D constitutes tortious interference, that the Company utilized confidential information belonging to Protection One and that Protection One had an interest in some of the contracts that the Company purchased from B&D. The Company plans to vigorously defend this claim. The Company believes the resolution of this matter will not have a material adverse effect on its financial condition, results of operations or cash flows.

In May 2003, a former employee of McGinn, Smith & Co., Inc. brought an action against the Company, as well as McGinn, Smith & Co., Inc. and M&S Partners for wrongful termination. The suit brought in the Supreme Court of the State of New York seeks damages of $10,000,000. McGinn, Smith & Co., Inc. and M&S Partners have fully indemnified the Company from any damages or legal expenses that the Company may incur as a result of the suit. This employee of McGinn, Smith & Co., Inc. was never the Company's employee. The Company moved to dismiss the plaintiff’s complaint against the Company and that motion was granted in its entirety, dismissing the Company from the lawsuit. Plaintiff filed a notice of appeal but did not appeal within the prescribed time frame. The Company believes this matter is resolved.

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7. Litigation *(cont.)*

In December of 2005, Ira R. Beer, former president of the Company’s American Home Security, Inc (“AHS”) subsidiary in Las Vegas, brought an action against AHS and the Company in District Court for Clark County, Nevada. Mr. Beer seeks monies allegedly due under a certain Employment Agreement dated November 21, 2003. Mr. Beer’s employment was terminated,
for cause, on December 8, 2005. Mr. Beer’s lawsuit alleges that his termination was not for cause and that he is owed unpaid salary through the end of 2006 of some $440,000 and a certain “bonus buy-out” which he asserts to be approximately $2,192,000. He also seeks unspecified punitive damages. The Company has filed a counterclaim against Mr. Beer for derogation of his management duties. While the Company recognizes that there may be some liability to Mr. Beer as a result of his termination, it is the Company’s position that such liability, if any, is significantly less than what Mr. Beer is seeking, and the Company’s position will be vigorously defended. Based on the terms of the employment agreement, the Company has recorded a liability for the “bonus buy-out” during 2005.

On June 26, 2006, former Company president Thomas J. Few, Sr. initiated litigation against the Company in connection with his termination of employment, seeking a monetary award for amounts allegedly due to him under an employment agreement . The claim was filed in the Superior Court of New Jersey, in the Bergen County Law Division. The principal parties to the suit are Thomas J. Few, Sr. and the Company. Mr. Few alleges that he is owed up to 36 months of pay as well as an amount representing accrued but unused vacation as a result of his resignation following the Company's alleged breach of the employment agreement. The Company believes this suit to be without merit and has retained outside counsel to vigorously defend this claim. The Company believes the resolution of this matter will not have a material adverse effect on its financial condition, results of operations or cash flows.

The Company is involved in litigation and various legal matters that have arisen in the ordinary course of business. The Company does not believe that the outcome of these matters will have a material adverse effect on the Company’s financial position, results of operations or cash flows.

8. Disposal of Assets

During the second quarter of 2006, the Company sold alarm contracts in Colorado, Idaho and Utah for $7,100,000 and other assets including inventory, vehicles and deposits valued at approximately $224,000. The Company received a cash payment of approximately $827,000 (which has been classified as “Advanced payment”) and the balance of approximately $6,512,000 in the form of a promissory note due December 31, 2006. The Company incurred direct and incremental costs related to the transaction in the aggregate amount of $377,000, which is reflected in the table below as prepaid expenses. The note bears interest of 12% per annum with interest payable monthly. If no event of default has occurred, the buyer has the option up to December 31, 2006 to pay $1 million on the note to extend its maturity date to July 1, 2007 with interest of 13% per annum. The agreement includes a sales price adjustment for an attrition guarantee for the six months ended November 30, 2006 when the contract attrition is more than 5% of the total recurring monthly revenue acquired. The Company will continue to provide the monitoring and billing services until the note is paid. The sale will be recognized when the note is paid in full, the attrition guarantee has been settled, and continuing involvement (monitoring services) has ceased. The assets and liabilities of the business transferred have been separately segregated on the consolidated balance sheet at June 30, 2006. The net assets of the business transferred were determined to be impaired, as a result the Company recognized a $500,000 charge to operations.

The following table summarizes assets and liabilities sold:

	Assets	Liabilities
Customer contract, net	$ 4,869	$ -
Deferred revenue	-	639
Deferred customer acquisition costs, net	331	-
Other receivables	47	-
Property and equipment, net	223	-
Inventories	50	-
Capital lease obligations	-	171
Accrued expenses	-	240
Other assets	122	-
Prepaid expenses	377	-
Goodwill	2,159	-
	$ 8,178	$ 1,050

9. Segment and Related Information

Management has determined that an appropriate measure of the performance of its operating segments would be made through an evaluation of each segment's income (loss) before income taxes. Accordingly, the Company's summarized financial information regarding the Company's reportable segments is presented through income (loss) before income taxes for the three and six months ended June 30, 2005 and 2006.

9. Segment and Related Information ***(cont.)***

IASG has two reportable segments: alarm-monitoring wholesale services and alarm-monitoring retail services. The Company has determined its reportable segments based on its method of internal reporting which is used by management for making operational decisions and assessing performance.

The alarm-monitoring wholesale services segment provides monitoring services to a broad range of independent alarm-monitoring dealers. The alarm-monitoring retail services segment provides monitoring services to its end customers, working capital to independent alarm-monitoring dealers and customer service and billing and collection services to our portfolio of accounts. This is accomplished by purchasing alarm monitoring contracts from the dealer or by providing loans using the dealer's alarm monitoring contracts as collateral. IASI provides monitoring services (through IASG and other affiliated and non-affiliated entities) to its customers through the wholesale segment.

Summarized financial information as of and for the three and six months ended June 30, 2005 and 2006 concerning the Company's reportable segments is shown in the following table:

Three Months ended June 30, 2005:

	Alarm-Monitoring Wholesale Services	Alarm-Monitoring Retail Services	Corporate and Eliminations	Consolidated Total
Total revenue	$ 7,789	$ 16,899	$ -	$ 24,688
Intersegment revenue	1,228	-	(1,228)	-
Interest income	-	1,011	112	1,123
Interest expense	5	13	4,283	4,301
Income (loss) before income taxes	(458)	1,751	(7,492)	(6,199)
Purchase of contracts, dealer relations and businesses	-	5,469	-	5,469
Depreciation and amortization	1,422	5,720	-	7,142
Amortization of customer acquisition costs	-	401	-	401

Three Months ended June 30, 2006:

	Alarm-Monitoring Wholesale Services	Alarm-Monitoring Retail Services	Corporate and Eliminations	Consolidated Total
Total revenue	$ 7,599	$ 15,471	$ -	$ 23,070
Intersegment revenue	1,159	-	(1,159)	-
Interest income	-	883	152	1,035
Interest expense	-	18	4,142	4,160
Income (loss) before income taxes	1,087	(391)	(6,998)	(6,302)
Purchase of contracts and businesses	-	1,594	-	1,594
Depreciation and amortization	1,436	5,977	3	7,416
Amortization of customer acquisition costs	-	494	-	494

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9. Segment and Related Information *(cont.)*

Six Months ended June 30, 2005:

	Alarm-Monitoring Wholesale Services	Alarm-Monitoring Retail Services	Corporate and Eliminations	Consolidated Total
Total revenue	$ 15,643	$ 33,503	$ -	$ 49,146
Intersegment revenue	2,410	-	(2,410)	-
Interest income	-	2,133	245	2,378
Interest expense	11	27	8,449	8,487
Income (loss) before income taxes	(12)	4,968	(13,601)	(8,645)
Purchase of contracts, dealer relations and businesses	-	15,168	-	15,168
Depreciation and amortization	2,863	10,393	-	13,256
Amortization of customer acquisition costs	-	738	-	738

Six Months ended June 30, 2006:

	Alarm-Monitoring Wholesale Services	Alarm-Monitoring Retail Services	Corporate and Eliminations	Consolidated Total
Total revenue	$ 15,457	$ 31,761	$ -	$ 47,218
Intersegment revenue	2,353	-	(2,353)	-
Interest income	-	1,811	259	2,070
Interest expense	1	39	8,237	8,277
Income (loss) before income taxes	2,874	1,127	(13,525)	(9,524)
Purchase of contracts and businesses	-	2,490	-	2,490
Depreciation and amortization	2,861	10,930	3	13,794
Amortization of customer acquisition costs	-	954	-	954

There has been no significant changes to segment assets during the six months ended June 30, 2006, other than the disposal of assets from the retail segment more fully described in Note 8.

10. New Accounting Pronouncements

In June 2006, the FASB issued FIN 48 which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company will be required to adopt this Standard on January 1, 2007 and has not yet determined the effect that adopting FIN 48 will have on the financial statements.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156, *Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140* ("FAS No. 156"). This Standard amends FASB Statement No. 140, *Accounting for Transfers and Servicing Assets and Extinguishment of Liabilities,* with respect to the accounting for separately recognized servicing assets and servicing liabilities. This Standard requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract when there is a related sale of financial assets, certain transfers, or assumption of an obligation to service a financial asset that does not relate to the financial assets of the servicer. The Company will be required to adopt this Statement on January 1, 2007 and will apply the requirements prospectively to all transactions after the effective date. The Company has not yet determined the effect that adopting FAS No. 156 will have on its financial statements.

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB statements No. 133 and 140* ("FAS No. 155"). This Standard resolves and clarifies the accounting and reporting for certain financial instruments including, hybrid financial instruments with embedded derivatives, interest-only strips, and securitized financial instruments. FAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company will be required to adopt this Standard on January 1, 2007 and has not yet determined the effect that adopting FAS No. 155 will have on the financial statements.

In May 2005, the FASB issued FAS No. 154, *Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FAS Statement No. 3*. This Standard requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Standard also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in nondiscretionary profit-sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. In addition, this Standard requires that a change in depreciation, amortization, or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. The Company adopted the Standard on January 1, 2006 and it did not have any effect on the Company's financial statements.

In November 2004, the FASB issued FAS No. 151, *Inventory Costs,* an amendment of ARB No. 43, Chapter 4. This Standard requires that items such as idle facility expense and excess spoilage be recognized as current period charges. Under ARB No. 43, such costs were considered inventoriable costs unless they were considered so abnormal as to require immediate expensing. The Company adopted the Standard on January 1, 2006 and it did not have a material effect on the Company's financial statements.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. The forward-looking statements involve a number of risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- general economic and business conditions;
- our business strategy for expanding our presence in our industry, including acquisitions;
- anticipated trends in our financial condition and results of operations;
- the impact of competition and technological change;
- existing and future regulations affecting our business; and
- other risk factors set forth under Item 4 - Controls and Procedures.

You can identify forward-looking statements generally by the use of forward-looking terminology such as ‘‘believes,’’ ‘‘expects,’’ ‘‘may,’’ ‘‘will,’’ ‘‘intends,’’ ‘‘plans,’’ ‘‘should,’’ ‘‘could,’’ ‘‘seeks,’’ ‘‘pro forma,’’ ‘‘anticipates,’’ ‘‘estimates,’’ ‘‘continues,’’ or other variations thereof, including their use in the negative, or by discussions of strategies, opportunities, plans or intentions. These forward-looking statements necessarily depend upon assumptions and estimates that may prove to be incorrect.

Although we believe that the assumptions and estimates reflected in the forward-looking statements contained in this Quarterly Report on Form 10-Q are reasonable, we cannot guarantee that we will achieve our plans, intentions or expectations. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ in significant ways from any future results expressed or implied by the forward-looking statements.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006.

Executive Overview
The Company conducts business in the security industry through two segments:

- **Alarm Monitoring Wholesale Services (Wholesale Segment)**
  The alarm-monitoring wholesale services segment provides monitoring services to a broad range of independent alarm-monitoring dealers. This division also offers administrative services such as billing and collection to dealers. Criticom also provides monitoring services to our other divisions.
- **Alarm Monitoring Retail Services (Retail Segment)**
  The alarm-monitoring retail services segment provides monitoring services to its end customers, working capital to independent alarm-monitoring dealers and customer service and billing and collection services to our portfolio of accounts. This is accomplished by purchasing alarm monitoring contracts from the dealer or by providing loans using the dealer's alarm monitoring contracts as collateral. The monitoring of the customer’s system is performed primarily by Criticom International.

Management’s approach to each of its security businesses is similar, with a focus on quality service, risk management and a patient and disciplined approach to markets. Management believes each business is a premium provider of services in the markets that it serves. The Company’s marketing and sales efforts are enhanced by its brands so the Company seeks to protect their value. Since the Company’s services focus on protecting people and valuables, its employees strive to understand and manage risk. Overlaying management’s approach is an understanding that the Company must be disciplined and patient enough to charge fair prices that reflect the value provided, the risk assumed and the need for an appropriate return on invested capital.

The business environments in which the Company’s security businesses operate throughout the United States are constantly changing. Management continually adapts to changes in the competitive landscapes, economic conditions in different parts of the country and each customer’s level of business. As a result, the Company operates largely on a decentralized basis so local management can adjust operations to its unique circumstances.

For the same reasons that the Company operates on a decentralized basis, short-term forecasts of performance are difficult to make with precision. As a result, the Company does not provide detailed earnings forecasts.

The Company measures financial performance on a long-term basis. The key financial factors on which it focuses are:

- Growth in revenues and earnings
- Attrition minimization
- Generation of cash flow
- Creation of value through portfolio growth

These and similar measures are critical components of the Company’s employee performance evaluations.

The following discussion should be read in conjunction with the accompanying Financial Statements and Notes thereto.

Critical Accounting Policies
Our discussion and analysis of results of operations, financial condition and cash flows are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates are evaluated on an on-going basis, including those related to revenue recognition and allowance for doubtful accounts, valuation to allocate the purchase price for a business combination, notes receivable reserve and fair value of customer contracts on foreclosed loans, fair value and forecasted data to assess recoverability of intangible assets and goodwill, income taxes, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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Revenue Recognition and Allowance for Doubtful Accounts

All revenue is recognized on an accrual basis. Accounts receivable are recorded at the invoiced amount and do not bear interest. Credit is extended based upon an evaluation of the customer's financial condition and history. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review our allowance for doubtful accounts monthly. Customer accounts, including accounts with balances over 90 days from the invoice date are reserved based on historical trends. Account balances are charged-off against the allowance when we feel it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

Revenue from providing monitoring only service to the customers of our dealers and our retail owned customer contracts is recognized as the monitoring service (including contracts acquired from dealer, other third parties, in business acquisitions or under foreclosure) is provided over the term of the contract. Certain owned customer contracts are being monitored by third party monitoring service providers. We recognize revenue from these contracts as the monitoring service is being provided.

Revenue from sales of installed equipment without monitoring is recognized upon the completed installation of the equipment.

We sell bundled arrangements to our commercial and residential customers which consist of equipment, installation services and ongoing monitoring services generally under three to five year contracted terms. These bundled arrangements generally require an upfront payment and recurring monthly revenue ("RMR") payments over the term of the contract. Amounts assigned to each component are based on the component's objectively determined fair value. If fair value can not be determined for a sale involving multiple elements, upfront non-refundable deposits are deferred and recognized over the expected life of the customer relationship. The RMR is recognized monthly over the term of the contract.

Notes Receivable Reserve and Fair Value of Customer Contracts on Foreclosed Loans

We make loans to Dealers, which are collateralized by the Dealers' portfolio of end-user alarm monitoring contracts. Loans to Dealers are carried at the lower of the principal amount outstanding or if non-performing, the net realizable value of the portfolio underlying the loan. Loans are generally considered non-performing if they are 120 days in arrears of contractual terms.

Management periodically evaluates the loan portfolio to assess the collectibility of Dealer notes and adequacy of allowance for loan losses. Management reviews certain criteria in assessing the adequacy of the allowance for loan losses, including our past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. Loan impairment is identified when a portfolio's cash flow is materially below the minimum necessary to service the loan. In most cases, loans will be foreclosed and valued at the lower of cost (loan carrying value) or fair value of end-user contracts using recent transaction prices and industry benchmarks.

Unearned discount on acquired notes that are prepaid within the first year of acquisition is offset to goodwill.

Notes receivable consists primarily of loans to Dealers which are collateralized by a portfolio of individual end-user monitoring contracts. When a Dealer becomes delinquent, we generally foreclose on and take ownership of , the portfolio of customer's monitoring contracts resulting in an increase in customer contracts and a decrease in notes receivable.

At June 30, 2006, we had non-performing loans to Dealers aggregating approximately $1,144,000. Currently, the cash flows from the underlying collateral support the carrying value of the loans. However, if the cash flow from the underlying collateral deteriorates, it may result in a future charge to earnings.

Deferred customer acquisition costs, net

The direct incremental costs associated with obtaining a new customer including the installation of the monitoring systems, to the extent of deferred revenue (upfront non-refundable deposits), are capitalized and amortized over the expected life of the customer relationship. Excess direct incremental costs over deferred revenue (upfront non-refundable deposits) are being amortized over the term of the contract. Direct incremental cost associated with contracts in which there is no associated upfront installation revenue are amortized over the life of the contract.

Deferred Issuance Costs

Debt issuance costs represents direct costs incurred in connection with obtaining financing with related parties, banks and other lenders. Debt issuance costs are being amortized over the life of the related obligations using the effective interest method.

Intangible Assets and Goodwill

Alarm monitoring services for Dealers' end-users are outsourced to us. We acquire such Dealer relationships from our internally generated sales efforts and from other monitoring companies. Acquired Dealer relationships are recorded at cost, which management believes approximates fair value. End-user alarm monitoring contracts are acquired from the Dealers' pre-existing portfolios of contracts or assumed upon the foreclosure on Dealers' loans.

Acquired end-user alarm monitoring contracts are recorded at cost which management believes approximates fair value. End-user alarm monitoring contracts assumed as a result of foreclosure on dealer loans are recorded at the lower of cost (loan carrying value) or the fair value of such contracts using recent transaction prices and industry benchmarks at the time of foreclosure.

End-user alarm monitoring contracts are amortized over the term that such end-users are expected to remain as our customer. We, on an ongoing basis, conduct comprehensive reviews of our amortization policy for end-user contracts and, when deemed appropriate, use an independent appraisal firm to assist in performing an attrition study.

Dealer relationships and end-user contracts are amortized using methods and lives which are management's estimates, based upon all information available (including industry data, attrition studies, current portfolio trends), of the life (attrition pattern) of the underlying contracts and relationships. If actual results vary negatively (primarily attrition) from management assumptions, amortization will be accelerated, which will negatively impact results from operations. If amortization is not accelerated or conditions deteriorate dramatically, the asset could become impaired. For existing portfolio accounts purchased subsequent to January 31, 2003, we amortize such accounts using the straight-line method over an 18-year period plus actual attrition. This methodology may cause significant variations in amortization expense in future periods.

Dealer relationships and end-user alarm monitoring contracts are tested for impairment on a periodic basis or as circumstances warrant. Recoverability of Dealer relationship costs and end-user alarm monitoring contracts are highly dependent on our ability to maintain our Dealers. Factors we consider important that could trigger an impairment review include higher levels of attrition of Dealers and/or end-user alarm monitoring contracts and continuing recurring losses.

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires that the assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the assets to be held and used is measured by a comparison of the carrying amount of the assets with the future net cash flows expected to be generated. Cash flows of Dealer relationships and retail customer contracts are analyzed at the same group level (acquisition by acquisition and portfolio grouping, respectively) that they are identified for amortization, the lowest level for which independent cash flows are identifiable. All other long-lived assets are evaluated for impairment at the company level, using one asset grouping. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of June 30, 2006, our long-lived assets aggregate approximately $117,832,000.

We account for goodwill under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"). Under SFAS No. 142, goodwill is not amortized, but it is tested for impairment at least annually. Each year we test for impairment of goodwill according to a two-step approach. In the first step, we test for impairment of goodwill by estimating the fair values of our reporting units using the present value of future cash flows approach, subject to a comparison for reasonableness to our market capitalization at the date of valuation. If the carrying amount exceeds the fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any. In the second step the implied fair value of the goodwill is estimated as the fair value of the reporting unit used in the first step less the fair values of all other net tangible and intangible assets of the reporting unit. If the carrying amount of the goodwill exceeds its implied fair market value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. If a goodwill impairment change is required we would be required to assess whether our long-lived assets are impaired. In addition, goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We perform our annual impairment test in the third quarter of each year and to date have not been required to record an impairment charge. A non-cash goodwill impairment charge may result following the application of such test if there is a decline in estimated future earnings and cash flows. During the second quarter of 2004, our common stock began trading below its book value and has continued to do so through the second quarter of 2006. After evaluating current financial forecasts and operating trends, Management continues to believe that goodwill was not impaired at June 30, 2006. We continue to incur significant losses from opertaions and are behind in our plan for 2006. If our operating results do not improve in 2006, we may be required to recognize a non-cash goodwill impairment charge. Our goodwill balance at June 30, 2006 is approximately $91,265,000.

Stock-Based Compensation

Prior to January 1, 2006, we accounted for activity under the employee stock plans using the intrinsic value method prescribed by Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, and had adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* as amended by SFAS No. 148, (A*ccounting for Stock-Based Compensation-Transition and Disclosure).* Under APB No. 25, we generally recognized no compensation expense with respect to options granted to employees and directors as the option exercise price is generally equal to or greater than the fair value of the our common stock on the date of the grant. The value of stock options granted to non-employees were expensed.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123 (revised), *Share-Based Payment* ("FAS 123R"), an amendment of FAS No. 123, *Accounting for Stock-Based Compensation*. FAS 123R eliminates the ability to account for share-based payments using Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and instead requires companies to recognize compensation expense using a fair-value based method for costs related to share-based payments including stock options and employee stock purchase plans. The expense will be measured as the fair value of the award at its grant date based on the estimated number of awards that are expected to vest, and

recorded over the applicable service period. In the absence of an observable market price for a share-based award, the fair value would be based upon a valuation methodology that takes into consideration various factors, including the exercise price of the award, the expected term of the award, the current price of the underlying shares, the expected volatility of the underlying share price, the expected dividends on the underlying shares and the risk-free interest rate. The standard also provides for different transition methods for past award grants, including the restatement of prior period results. We have elected to apply the modified prospective transition method to all past awards outstanding and unvested as of the effective date of January 1, 2006 and will recognize the associated expense over the remaining vesting period based on the fair values previously determined and disclosed as part of our pro-forma disclosures. We will not restate the results of prior periods. Prior to the effective date of FAS 123R, we provided the pro-forma disclosures for past award grants as required under FAS 123. As such, we have recognized expense for unvested options during the quarter ended June 30, 2006 of approximately $135,000 and during the six months ended June 30, 2006 of approximately $163,000.

We used the Black-Scholes option-pricing model ("Black-Scholes") as its method of valuation under FAS 123R in fiscal year 2006 and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Black-Scholes was previously used for our proforma information required under FAS 123 for periods prior to fiscal year 2006. The fair value of share-based payment awards on the date of grant as determined by the Black-Scholes model is affected by our stock price as well as other assumption, including, but not limited to the expected volatility over the term of the awards and risk-free interest rate.

Income taxes

As part of the process of preparing our financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process will involve estimates of our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation and amortization, for tax and accounting purposes. A tax valuation allowance is established, as needed, to reduce net deferred tax assets to be amount expected to be realized. In the event it becomes more than likely than not that some or all of the deferred tax asset valuation allowance will not be needed, the valuation allowance will be adjusted.

Contingencies and litigation

In March 2003, Protection One, a company engaged in the business of providing security and other alarm monitoring services to residential and commercial customers, brought an action against us in the Superior Court of New Jersey, Camden County for unspecified damages in connection with our purchase of certain alarm monitoring contracts from B&D. B&D had previously sold alarm monitoring contracts to Protection One. As part of such sales, B&D agreed not to solicit any customers whose contracts had been purchased and to keep certain information confidential. Protection One claims that our subsequent purchase of contracts from B&D constitutes tortious interference, that we utilized confidential information belonging to Protection One and that Protection One had an interest in some of the contracts that we purchased from B&D. We plan to vigorously defend this claim. We believe the resolution of this matter will not have a material adverse effect on our financial condition, results of operations or cash flows.

In May 2003, a former employee of McGinn, Smith & Co., Inc. brought an action against us, as well as McGinn, Smith & Co., Inc. and M&S Partners for wrongful termination. The suit brought in the Supreme Court of the State of New York seeks damages of $10,000,000. McGinn, Smith & Co., Inc. and M&S Partners have fully indemnified us from any damages or legal expenses that we may incur as a result of the suit. This employee of McGinn, Smith & Co., Inc. was never our employee. We moved to dismiss the plaintiff's complaint against us and that motion was granted in its entirety, dismissing us from the lawsuit. Plaintiff filed a notice of appeal but did not appeal within the prescribed timeframe. We believe this matter is resolved.

In December of 2005, Ira R. Beer, former president of our American Home Security, Inc ("AHS") subsidiary in Las Vegas, brought an action against AHS and us in District Court for Clark County, Nevada. Mr. Beer seeks monies allegedly due under a certain Employment Agreement dated November 21, 2003. Mr. Beer's employment was terminated, for cause, on December 8, 2005. Mr. Beer's lawsuit alleges that his termination was not for cause and that he is owed unpaid salary through the end of 2006 of some $440,000 and a certain "bonus buy-out" which he asserts to be approximately $2,192,000. He also seeks unspecified punitive damages. We have filed a counterclaim against Mr. Beer for derogation of his management duties. While we recognize that there may be some liability to Mr. Beer as a result of his termination, it is our position that such liability, if any, is significantly less than what Mr. Beer is seeking, and our position will be vigorously defended. Based on the terms of the employment agreement, we have recorded a liability for the "bonus buy-out" during 2005.

On June 26, 2006, our former president Thomas J. Few, Sr. initiated litigation against us in connection with his termination of employment, seeking a monetary award for amounts allegedly due to him under an employment agreement . The claim was filed in the Superior Court of New Jersey, in the Bergen County Law Division. The principal parties to the suit are Thomas J. Few, Sr. and us. Mr. Few alleges that he is owed up to 36 months of pay as well as an amount representing accrued but unused vacation as a result of his resignation following the our alleged breach of the employment agreement. We believe this suit to be without merit and have retained outside counsel to vigorously defend this claim. We believe the resolution of this matter will not have a material adverse effect on our financial condition, results of operations or cash flows.

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We are involved in litigation and various legal matters that have arisen in the ordinary course of business. We do not believe that the outcome of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Results of operations

Consolidated. Three Months Ended June 30, 2006 Compared to the Three Months Ended June 30, 2005.

The following chart and discussion reflects the impact of the elimination of intersegment revenue and cost of revenue:

	For the Three Months Ended June 30,			
	2005	**2006**	**Dollar Variance**	**Percent Variance**
Total revenue	$ 24,688	$ 23,070	$ (1,618)	-6.6%
Expenses:				
Cost of revenue (excluding depreciation and amortization)	10,429	9,751	(678)	-6.5%
Selling and marketing	1,360	1,404	44	3.2%
Depreciation and amortization	7,142	7,416	274	3.8%
(Gain) loss on sale or disposal of assets	442	(19)	(461)	-104.3%
Loss on business transferred	-	500	500	N/A
General and administrative	8,054	6,953	(1,101)	-13.7%
Total expenses	27,427	26,005	(1,422)	-5.2%
Income (loss) from operations	(2,739)	(2,935)	(196)	-7.2%
Other income (expense):				
Amortization of debt issuance costs	(282)	(242)	40	-14.2%
Interest expense	(4,301)	(4,160)	141	-3.3%
Interest income	1,123	1,035	(88)	-7.8%
Income (loss) before income taxes	(6,199)	(6,302)	103	-1.7%
Income tax expense (benefit)	141	145	4	2.8%
Net income (loss)	$ (6,340)	$ (6,447)	$ 107	-1.7%

Revenue
Consolidated revenue decreased approximately $1,618,000. This decrease was due to decreases of approximately $259,000 and $1,428,000 in the wholesale and retail segments, respectively, offset, in part, by a decrease in the amount of intersegment revenue of approximately $69,000.

Cost of Revenue (excluding Depreciation and Amortization)
Consolidated cost of revenue decreased approximately $678,000. This decrease was due to a decrease of approximately $831,000 in the wholesale segment offset by an increase in the retail segment of approximately $84,000 and a decrease of approximately $69,000 in intersegment cost of revenue.

Operating Expenses
The decrease of approximately $744,000 was due to decreases of approximately $968,000 and $273,000 in the wholesale segment and corporate expenses, respectively, and an increase of approximately $497,000 in the retail segment.

The increase in selling and marketing expenses of approximately $44,000 is primarily attributable to an increase in the retail segment of approximately $70,000 with an partially offsetting decrease in the wholesale segment of approximately $26,000.

The increase in depreciation and amortization expenses of approximately $274,000 was due to increases of approximately $257,000, $14,000 and $3,000 in the retail segment, wholesale segment and corporate expenses, respectively.

The loss on sale of assets in 2005 of approximately $442,000 compared to a gain in 2006 of approximately $19,000. Most of the loss in 2005 was attributable to the closure of certain dealer care centers and a monitoring station in the wholesale segment.

The loss of business transferred is due to the sale of alarm contracts and other assets after recognizing an allocation of approximately $2,650,000 of goodwill.

The decrease in general and administrative expenses was approximately $1,101,000. The decrease was the result of decreases of approximately $544,000, $281,000 and $276,000 in the wholesale segment, retail segment and corporate expenses, respectively.

Amortization of Debt Issuance Costs

The decrease in amortization of debt issuance costs was due primarily to the decrease in amortization of certain debt issuance costs that became fully amortized by late 2005.

Interest Expense

The decrease in interest expense was due primarily to retirement of debt during 2005 offset, in part, by an increase in the expense related to the $125,000,000 debt placement as a result of it not being registered with the SEC.

Interest Income

Consolidated interest income decreased by approximately $88,000. Retail segment income decreased by approximately $128,000 as a result of reduced loan balances in 2006 offset, in part, by an increase in corporate income of approximately $40,000.

Taxes

The increase in income tax expense is due to an increase of state taxes in separate taxing jurisdictions, along with an increase in goodwill amortization, both relating to the acquisition of FSS.

Results of Operations by Segment

The comparable financial results for the Company's Alarm-Monitoring, Wholesale Services and Alarm-Monitoring, Retail Services reportable segments, as well as Corporate related income and expenses for the three months ended June 30, 2006 compared with the three months ended June 30, 2005 are discussed below.

Intersegment revenue and cost of revenue amounts eliminated for the three months ended June 30, 2005 and 2006 were $1,228,000 and $1,159,000, respectively.

The following charts and discussions include intersegment revenue and cost of revenue that are eliminated in the consolidated financial statements. These amounts for the quarter ended June 30, 2006 and 2005 are approximately $1,159,000 and $1,228,000, respectively. The retail segment incurs expense for the monitoring services provided by the wholesale segment. The inclusion of intersegment activity provides a more realistic presentation of how these segments would operate on a stand alone basis.

Alarm Monitoring, Wholesale Segment. Three months ended June 30,

	For the Three Months Ended June 30,			
	2005	**2006**	**Dollar Variance**	**Percent Variance**
Total revenue	$ 9,017	$ 8,758	$ (259)	-2.9%
Expenses:				
Cost of revenue (excluding depreciation and amortization)	6,422	5,591	(831)	-12.9%
Selling and marketing	539	513	(26)	-4.8%
Depreciation and amortization	1,422	1,436	14	1.0%
Loss on sale or disposal of assets	412	-	(412)	-100.0%
General and administrative	675	131	(544)	-80.6%
Total expenses	9,470	7,671	(1,799)	-19.0%
Income (loss) from operations	(453)	1,087	1,540	-340.0%
Other income (expense):				
Interest expense	(5)	0	5	-100.0%
Income (loss) before income taxes	$ (458)	$ 1,087	$ 1,545	-337.3%

The segment's revenue decreased approximately $259,000. This decrease was due primarily to: a decrease in average number of end-user accounts of approximately 55,000 which resulted in a decrease in revenue of approximately $739,000; a decrease in the average revenue per end-user account per month of approximately $0.10 which resulted in a decrease in revenue of approximately $143,000; and, a decrease in intersegment revenue of approximately $69,000. The decreases were offset , in part, by revenue associated with end-user accounts obtained as part of the FSS acquisition (fourth quarter of 2005) of approximately $692,000.

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Cost of revenue decreased by approximately $831,000. This decrease was due primarily to the following reductions: salaries, benefits and payroll taxes of approximately $806,000 as a result of headcount reduction from facility closures made during 2005; telephone expense of approximately $220,000; rent, utilities and facilities costs of approximately $135,000 as a result of facilities closures in 2005; software license costs of approximately $63,000 due to computer system consolidation; payroll processing expense of approximately $62,000 which is being recorded under the corporate expenses in 2006. These decreases were offset, in part, by expenses associated with the FSS acquisition of approximately $584,000, of which salaries, benefits and payroll taxes were approximately $462,000.

Operating expenses for wholesale segment decreased by approximately $968,000. The decrease was primarily due to the following reductions: approximately $434,000 of non-recurring 2005 losses from equipment disposals associated with facilities closures; bad debt expense of approximately $284,000; salaries, benefits and payroll taxes of approximately $188,000 as a result of allocation changes between the wholesale segment and corporate expenses; and, professional and legal fees of approximately $51,000.

The increase in the wholesale segment's income from operations of approximately $1,540,000 was due primarily to the aforementioned decreases in the cost of revenue and operating expenses aggregating to approximately $1,799,000 offset, in part, by the previously addressed decline in revenues of approximately $259,000.

The segment's increase in income before income taxes was primarily due to the aforementioned increase in income from operations.

Alarm Monitoring, Retail Segment. Three months ended June 30,

	For the Three Months Ended June 30,			
	2005	**2006**	**Dollar Variance**	**Percent Variance**
Total revenue	$ 16,899	$ 15,471	$ (1,428)	-8.5%
Expenses:				
Cost of revenue (excluding depreciation and amortization)	5,235	5,319	84	1.6%
Selling and marketing	821	891	70	8.5%
Depreciation and amortization	5,720	5,977	257	4.5%
(Gain) loss on sale or disposal of assets	30	(19)	(49)	-163.3%
Loss on business transferred	-	500	500	N/A
General and administrative	4,340	4,059	(281)	-6.5%
Total expenses	16,146	16,727	(581)	3.6%
Income from operations	753	(1,256)	(2,009)	-266.8%
Other income (expense):				
Interest expense	(13)	(18)	(5)	38.5%
Interest income	1,011	883	(128)	-12.7%
Income (loss) before income taxes	$ 1,751	$ (391)	$ (2,142)	-122.3%

Revenue from retail segment operations decreased approximately $1,428,000. This decrease was due primarily to a decrease in revenue from customer accounts of approximately $2,468,000. The revenue from customer accounts decrease was due to a reduction in average number of accounts per month of approximately 17,000 resulting in a revenue decrease of approximately $1,944,000. In addition, revenue from customer accounts decreased by approximately $524,000 as a result of a reduction in the average revenue per account per month of approximately $1.47. The revenue from customer accounts decrease was offset, in part, due to increases in service, installation and other revenues of approximately $704,000, $296,000 and $40,000, respectively. Revenues associated with the FSS acquisition for 2006 are approximately $362,000 and are included in the amounts addressed above.

Cost of revenue for the retail segment increased approximately $84,000 due primarily to increases in costs of installation activity of approximately $242,000 partially offset by reductions in salaries, benefits and payroll taxes of approximately $194,000.

Operating expenses for the retail segment increased by approximately $497,000. The increase was due primarily to a loss of business transferred of approximately $500,000 and increases in depreciation and amortization of approximately $257,000 and salaries, benefits and payroll taxes of approximately $181,000. These increases were partially offset by decreases in bad debt expense and third party services of approximately $391,000 and $119,000, respectively.

The segment's decrease in income from operations of approximately $2,009,000 was primarily due to the aforementioned decrease in revenue of approximately $1,428,000 and the increase in cost of revenue and operating expenses of approximately $581,000.

The decrease of the retail segment's income before income taxes of approximately $2,142,000 was due to the aforementioned decrease in income from operations and a decrease in interest income of approximately $128,000 resulting from lower dealer loan balances in 2006.

Corporate. Three Months Ended June 30,

	For the Three Months Ended June 30,			
	2005	2006	Dollar Variance	Percent Variance
Expenses:				
Depreciation and Amortization	$ -	$ 3	$ 3	N/A
General and administrative	3,039	2,763	(276)	-9.1%
Total expenses	3,039	2,766	(273)	-9.0%
Income (loss) from operations	(3,039)	(2,766)	273	-9.0%
Other income (expense):				
Amortization of debt issuance costs	(282)	(242)	40	-14.2%
Interest expense	(4,283)	(4,142)	141	-3.3%
Interest income	112	152	40	35.7%
Income (loss) before income taxes	$ (7,492)	$ (6,998)	$ 494	-6.6%

The decrease in the loss from operations of approximately $273,000 was due primarily to a decrease in general and administrative expenses. The primary decrease was in the expense associated with services performed related to the Company's Sarbanes-Oxley assessment and remediation activities of approximately $1,275,000. This reduction in expense was offset by increases to: salary, benefit and payroll taxes of approximately $249,000 due to allocation changes between the corporate and wholesale segments and an increase in corporate segment headcount; approximately $215,000 related to a transition services agreement with the Company's former Chief Executive Officer; a $175,000 fee incurred to obtain a waiver of an event of default under a line of credit agreement related to the non-renewal of the employment contracts of the Company's former Chief Executive Officer and President; and stock based compensation of approximately $135,000.

The decrease in the loss before income taxes of approximately $494,000 was primarily due to the aforementioned decrease in the loss from operations in addition to reductions to interest expense and amortization of debt issuance costs resulting from retirement of debt during 2005. The decreases were partially offset by an increase in interest expense related to the $125,000,000 debt placement as a result of not being registered with the SEC.

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Consolidated. Six months ended June 30, 2006 compared to the six months ended June 30, 2005

The following chart and discussion reflects the impact of the elimination of intersegment revenue and cost of revenue:

	For the Six Months Ended June 30,			
	2005	2006	Dollar Variance	Percent Variance
Total revenue	$ 49,146	$ 47,218	$ (1,928)	-3.9%
Expenses:				
Cost of revenue (excluding depreciation and amortization)	20,748	19,202	(1,546)	-7.5%
Selling and marketing	2,519	2,677	158	6.3%
Depreciation and amortization	13,256	13,794	538	4.1%
(Gain) loss on sale or disposal of assets	442	(29)	(471)	-106.6%
Loss on business transferred	-	500	500	N/A
General and administrative	14,161	13,907	(254)	-1.8%
Total expenses	51,126	50,051	(1,075)	-2.1%
Income (loss) from operations	(1,980)	(2,833)	(853)	43.1%
Other income (expense):				
Amortization of debt issuance costs	(556)	(484)	72	-12.9%
Interest expense	(8,487)	(8,277)	210	-2.5%
Interest income	2,378	2,070	(308)	-13.0%
Income (loss) before income taxes	(8,645)	(9,524)	(879)	10.2%
Income tax expense (benefit)	281	337	56	19.9%
Net income (loss)	$ (8,926)	$ (9,861)	$ (935)	10.5%

Revenue

Consolidated revenue decreased approximately $1,928,000. This decrease was due to decreases of approximately $243,000 and $1,742,000 in the wholesale and retail segments, respectively, offset, in part, by a decrease in the amount of intersegment revenue of approximately $57,000.

Cost of Revenue (excluding Depreciation and Amortization)

Consolidated cost of revenue decreased approximately $1,546,000. This decrease was due to a decrease of approximately $1,840,000 in the wholesale segment offset by an increase in the retail segment of approximately $237,000 and a decrease of approximately $57,000 in intersegment cost of revenue.

Operating Expenses

The increase of approximately $471,000 was due to increases of approximately $1,528,000 and $222,000 in the retail segment and corporate expenses offset, in part, by a decrease in the wholesale segment of approximately $1,279,000.

The increase in selling and marketing expenses of approximately $158,000 is primarily attributable to an increase in the retail segment.

The increase in depreciation and amortization expenses of approximately $538,000, was due to an increase in the retail segment of approximately $537,000.

The loss on sale of assets in 2005 of approximately $442,000 compared to a gain in 2006 of approximately $29,000. Most of the loss in 2005 was attributable to the closure of certain dealer care centers and a monitoring station in the wholesale segment.

The loss of business transferred is due to the sale of alarm contracts and other assets after recognizing an allocation of approximately $2,650,000 of goodwill.

The decrease in general and administrative expenses was approximately $254,000. Expenses decreased by approximately $840,000 in the wholesale segment offset, in part, by increases of approximately $367,000 and $219,000 in the retail segment and corporate expenses, respectively.

Amortization of Debt Issuance Costs

The decrease in amortization of debt issuance costs was due primarily to the decrease in amortization of certain debt issuance costs that became fully amortized by late 2005.

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Interest Expense

The decrease in interest expense was due primarily to retirement of debt during 2005 offset, in part, by an increase in the expense related to the $125,000,000 debt placement as a result of it not being registered with the SEC.

Interest Income

Consolidated interest income decreased by approximately $308,000 as a result of a decrease in retail segment interest income of approximately $322,000. The decrease in retail segment income was due to reduced loan balances in 2006.

Taxes

The increase in income tax expense is due to an increase of state taxes in separate taxing jurisdictions, along with an increase in goodwill amortization, both relating to the acquisition of FSS.

Results of Operations by Segment

The comparable financial results for the Company's Alarm-Monitoring, Wholesale Services and Alarm-Monitoring, Retail Services reportable segments, as well as Corporate related income and expenses for the six months ended June 30, 2006 compared with the six months ended June 30, 2005 are discussed below.

Intersegment revenue and cost of revenue amounts eliminated for the six months ended June 30, 2005 and 2006 were $2,410,000 and $2,353,000, respectively.

Alarm Monitoring, Wholesale Segment. Six months ended June 30,

	For the Six Months Ended June 30,			
	2005	**2006**	**Dollar Variance**	**Percent Variance**
Total revenue	$ 18,053	$ 17,810	$ (243)	-1.3%
Expenses:				
Cost of revenue (excluding depreciation and amortization)	12,631	10,791	(1,840)	-14.6%
Selling and marketing	856	853	(3)	-0.4%
Depreciation and amortization	2,863	2,862	(1)	-0.1%
Loss on sale or disposal of assets	434	-	(434)	-100.0%
General and administrative	1,270	430	(840)	-66.1%
Total expenses	18,054	14,936	(3,118)	-17.3%
Income (loss) from operations	(1)	2,874	2,875	-287500.0%
Other income (expense):				
Interest expense	(11)	(1)	10	-90.9%
Income (loss) before income taxes	$ (12)	$ 2,873	$ 2,885	-24041.7%

Wholesale segment revenue decreased approximately $243,000. This decrease was due primarily to: a decrease in average number of end-user accounts of approximately 54,000 which resulted in a decrease in revenue of approximately $1,452,000; a decrease in the average revenue per end-user account per month of approximately $0.01 which resulted in a decrease in revenue of approximately $37,000; and, a decrease in intersegment revenue of approximately $57,000. The decreases were offset , in part, by revenue associated with end-user accounts obtained as part of the FSS acquisition of approximately $1,303,000.

Cost of revenue decreased by approximately $1,840,000. This decrease was due primarily to the following reductions: salaries, benefits and payroll taxes of approximately $1,626,000 as a result of headcount reduction from facility closures made during 2005; telephone expense of approximately $482,000; software license costs of approximately $135,000 due to computer system consolidation; payroll processing expense of approximately $134,000 which is being recorded under the corporate expenses in 2006; and, rent, utilities and facilities costs of approximately $121,000 as a result of facilities closures in 2005. These decreases were offset, in part, by expenses associated with the FSS acquisition of approximately $1,000,000, of which salaries, benefits and payroll taxes were approximately $791,000.

Operating expenses for wholesale segment decreased by approximately $1,278,000. The decrease was primarily due to the following reductions: approximately $434,000 of 2005 losses from equipment disposals associated with facilities closures; salaries, benefits and payroll taxes of approximately $305,000 as a result of allocation changes between the wholesale segment and corporate expenses; approximately $222,000 of 2005 costs associated with termination of certain projects and facilities closures; bad debt expense of approximately $178,000; and, professional and legal fees of approximately $82,000.

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The increase in the wholesale segment's income from operations of approximately $2,875,000 was due primarily to the aforementioned decreases in the cost of revenue and operating expenses aggregating to approximately $3,119,000 offset, in part, by the previously addressed decline in revenues of approximately $243,000.

The segment's increase in income before income taxes was primarily due to the aforementioned increase in income from operations.

Alarm Monitoring, Retail Segment. Six months ended June 30,

	For the Six Months Ended June 30,			
	2005	2006	Dollar Variance	Percent Variance
Total revenue	$ 33,503	$ 31,761	$ (1,742)	-5.2%
Expenses:				
Cost of revenue (excluding depreciation and amortization)	10,527	10,764	237	2.3%
Selling and marketing	1,663	1,824	161	9.7%
Depreciation and amortization	10,393	10,930	537	5.2%
(Gain) loss on sale or disposal of assets	8	(29)	(37)	-462.5%
Loss on business transferred	-	500	500	N/A
General and administrative	8,050	8,417	367	4.6%
Total expenses	30,641	32,406	1,765	5.8%
Income from operations	2,862	(645)	(3,507)	-122.5%
Other income (expense):				
Interest expense	(27)	(39)	(12)	44.4%
Interest income	2,133	1,811	(322)	-15.1%
Income (loss) before income taxes	$ 4,968	$ 1,127	$ (3,841)	-77.3%

Revenue from retail segment operations decreased approximately $1,742,000. This decrease was due primarily to a decrease in revenue from customer accounts of approximately $3,074,000. The revenue from customer accounts decrease was due to a reduction in average number of accounts per month of approximately 10,000 resulting in a revenue decrease of approximately $2,289,000. In addition, revenue from customer accounts decreased by approximately $785,000 as a result of a reduction in the average revenue per account per month of approximately $1.06. The revenue from customer accounts decrease was offset, in part, due to increases in service, installation and other revenues of approximately $932,000, $341,000 and $57,000, respectively. Revenues associated with the FSS acquisition for 2006 are approximately $801,000 and are included in the amounts addressed above.

Cost of revenue for the retail segment increased approximately $237,000 due primarily to increases in costs of installation activity of approximately $399,000 partially offset by reductions in salaries, benefits and payroll taxes of approximately $141,000.

Operating expenses for the retail segment increased approximately $1,528,000. The increase was due primarily to: a loss on business transferred of approximately $500,000; salaries, benefits and payroll taxes of approximately $764,000; depreciation and amortization of approximately $537,000; and, professional and legal fees of approximately $269,000. These increases were offset, in part, by a decrease in bad debt expense of approximately $562,000.

The segment's decrease in income from operations of approximately $3,507,000 was primarily due to the aforementioned decrease in revenue of approximately $1,742,000 and increases in cost of revenue and operating expenses of approximately $237,000 and approximately $1,528,000, respectively.

The decrease of the retail segment's income before income taxes of approximately $3,841,000 was due to the aforementioned decrease in income from operations and a decrease in interest income of approximately $322,000 resulting from lower dealer loan balances in 2006.

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Corporate. Six Months Ended June 30,

	For the Six Months Ended June 30,			
	2005	**2006**	**Dollar Variance**	**Percent Variance**
Expenses:				
Depreciation and Amortization	$ -	$ 3	$ 3	N/A
General and administrative	4,841	5,060	219	4.5%
Total expenses	4,841	5,063	222	4.6%
Income (loss) from operations	(4,841)	(5,063)	(222)	4.6%
Other income (expense):				
Amortization of debt issuance costs	(556)	(484)	72	-12.9%
Interest expense	(8,449)	(8,237)	212	-2.5%
Interest income	245	259	14	5.7%
Income (loss) before income taxes	$ (13,601)	$ (13,525)	$ 76	-0.6%

The increase in the loss from operations was due primarily to an increase in general and administrative expenses. These increases included: salary, benefit and payroll taxes of approximately $700,000 due to allocation changes between the wholesale segment and corporate expenses and an increase in corporate segment headcount; approximately $215,000 related to a transition services agreement with the Company's former Chief Executive Officer; a $175,000 fee incurred to obtain a waiver of an event of default under a line of credit agreement related to the non-renewal of the employment contracts of the Company's former Chief Executive Officer and President; and stock based compensation of approximately $163,000. These increases were offset, in part, by a reduction in expense associated with services performed related to the Company's Sarbanes-Oxley assessment and remediation activities of approximately $1,234,000.

The decrease in the loss before income taxes of approximately $76,000 was primarily due to reductions to interest expense and amortization of debt issuance costs resulting from retirement debt during 2005. The decreases were partially offset by an increase in interest expense related to the $125,000,000 debt placement as a result of not being registered with the SEC.

Liquidity and Capital Resources

Net cash provided by operating activities was approximately $3,558,000 for the six months ended June 30, 2006, compared to approximately $3,821,000 provided by operating activities for the six months ended June 30, 2005, a decrease of approximately $263,000. The decrease was primarily the result of an increase in the net loss from approximately $8,926,000 for the first half of 2005 to approximately $9,861,000 in the comparable period of 2006. An additional decrease of approximately $1,272,000 in net cash provided by operating activities was the result of decreases in deferred revenue. The decreases were offset, in part, by the reductions to deferred customer acquisition costs and accounts receivable of approximately $1,104,000 and $1,045,000, respectively.

Net cash used in investing activities was approximately ($1,971,000) for the first six months of 2006 compared to approximately ($8,526,000) for the same period of 2005, a decrease in net cash used of approximately $6,555,000. The decrease in net cash used in investing activities was primarily due to a period over period decreases in: the acquisition of customer contracts and dealer relationships of approximately $9,319,000 and restricted cash of approximately $1,114,000. In addition, the decrease in net cash used in investing operations was partially due to the proceeds from the net assets of business transferred (net of directly incremental costs) in 2006 of approximately $450,000. These decreases in net cash used in investing activities were offset, in part, by an increase in new dealer loans and a reduction in dealer loan repayments during the first six months of 2006 as compared to the same period of 2005 of approximately ($2,738,000) and ($1,580,000), respectively.

Net cash used in financing activities was approximately ($199,000) for the first quarter of 2006 compared to approximately ($1,408,000) for the same period of 2005, a decrease in net cash used of approximately $1,209,000. The decrease in cash used was due to a decrease in the repayment of long-term debt and payments of obligations under capital leases of approximately $929,000 and a decrease in debt issuance costs of approximately $280,000.

The balance sheet at June 30, 2006 reflects working capital of approximately $12,504,000. As of June 30, 2006, we had recurring monthly revenue ("RMR") of approximately $4,250,000 in our retail monitoring segment and approximately $2,650,000 in our wholesale monitoring segment.

Our capital expenditures anticipated over the next twelve months include equipment and software of approximately $4,700,000. In addition, our strategy calls for us to purchase monitoring contracts at an aggregate cost of approximately $38,000,000.

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As part of the NACC and FSS Acquisitions, we agreed to assume obligations to provide open lines of credit to Dealers, subject to the terms of the agreements with the Dealers as of the date of purchase. At June 30, 2006, open lines of credit to these Dealers were approximately $4,900,000. We intend to fund these commitments with available funds and available capacity under the $30.0 million LaSalle Credit Facility.

The Company's credit agreement with LaSalle Bank National Association provides that if either Mr. McGinn or Mr. Few are no longer with the Company it is an event of default under the credit facility. The Company obtained a waiver of this provision from LaSalle Bank on April 27, 2006.

We believe that our existing cash, cash equivalents, LaSalle Credit Facility and RMR are adequate to fund our operations for at least the next twelve months.

New Accounting Pronouncements

In June 2006, the FASB issued FIN 48 which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, *Accounting for Income taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We will be required to adopt this Standard on January 1, 2007 and have not yet determined the effect that adopting FIN 48 will have on the financial statements.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156, *Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140* (“FAS No. 156”). This Standard amends FASB Statement No. 140, *Accounting for Transfers and Servicing Assets and Extinguishment of Liabilities,* with respect to the accounting for separately recognized servicing assets and servicing liabilities. This Standard requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract when there is a related sale of financial assets, certain transfers, or assumption of an obligation to service a financial asset that does not relate to the financial assets of the servicer. We will be required to adopt this Statement on January 1, 2007 and will apply the requirements prospectively to all transactions after the effective date. We have not yet determined the effect that adopting FAS No. 156 will have our financial statements.

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB statements No. 133 and 140* (“FAS No. 155”). This Standard resolves and clarifies the accounting and reporting for certain financial instruments including, hybrid financial instruments with embedded derivatives, interest-only strips, and securitized financial instruments. FAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity’s first fiscal year that begins after September 15, 2006. We will be required to adopt this Standard on January 1, 2007 and have not yet determined the effect that adopting FAS No. 155 will have on the financial statements.

In May 2005, the FASB issued FAS No. 154, *Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FAS Statement No. 3*. This Standard requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Standard also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in nondiscretionary profit-sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. In addition, this Standard requires that a change in depreciation, amortization, or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. We adopted the Standard on January 1, 2006 and it did not have any effect on our financial statements.

In November 2004, the FASB issued FAS No. 151, “Inventory costs, an amendment of ARB No. 43, Chapter 4.” This Standard requires that items such as idle facility expense and excess spoilage be recognized as current period charges. Under ARB No. 43, such costs were considered inventoriable costs unless they were considered so abnormal as to require immediate expensing. We adopted the Standard on January 1, 2006 and it did not have any effect on our financial statements.

Contractual Obligations and Commercial Commitments

The Company's significant contractual obligations as of June 30, 2006 are for approximately $211,540,000. Debt by year of maturity and future rental payments under operating lease agreements are presented below. The Company has not engaged in off-balance sheet financing or commodity contract trading.

Contractual Obligations	Payments due by Period				
	Total	less than 1 year	1-3 years	4-5 years	After 5 years
			(in thousands)		
Long-term debt	$ 125,000	$ -	$ -	$ -	$ 125,000
Capital leases	490	216	216	58	0
Operating leases	3,464	1,653	1,534	277	0
Interest expense (estimated) *	82,586	15,037	30,045	30,004	7,500
	$ 211,540	$ 16,906	$ 31,795	$ 30,339	$ 132,500

* Consists primarily of annual interest payments of $15 million on $125 million of senior secured notes bearing interest at 12%.

Attrition

Alarm-Monitoring Wholesale Services

End-user attrition has a direct impact on our results of operations since it affects our revenues, amortization expense and cash flow. We define attrition in the wholesale alarm monitoring business as the number of end-user accounts lost, expressed as a percentage, for a given period. In some instances, we use estimates to derive attrition data. We monitor end-user attrition each month, each quarter and each year. In periods of end-user account growth, end-user attrition may be understated and in periods of end-user account decline, end-user attrition may be overstated. Our actual attrition experience shows that the relationship period with any individual Dealer or end-user can vary significantly. Dealers discontinue service with us for a variety of reasons, including but not limited to, the sale of their alarm monitoring contracts, performance issues and receipt of lower pricing from competitors. End-users may discontinue service with the Dealer and therefore with us for a variety of reasons, including, but not limited to, relocation, service issues and cost. A portion of Dealer and end-user relationships, whether acquired or originated via our sales force, can be expected to discontinue service every year. Any significant change in the pattern of our historical attrition experience would have a material effect on our results of operations, financial position or cash flows.

For the quarters ended June 30, 2005 and 2006, our annualized end-user account growth rates in the wholesale monitoring segment, excluding acquisitions were (4.9%) and 14.7%, respectively. For the quarters June 30, 2005 and 2006, our annualized end-user attrition rates in the wholesale monitoring segment, calculated as end-user losses divided by the sum of beginning end-users, end- users added and end-users acquired, was 22.7% and 19.8%, respectively. End-users acquired includes accounts purchased by the wholesale segment and customers acquired by the retail segment. The number of end-users included in the total that are owned by us are 145,674, the remainder are third party owned.

Following is a summary of our end-user accounts:

	2005	2006
Beginning balance, April 1,	724,007	719,531
End-users added, excluding acquisitions	18,984	62,117
End-user losses	(43,024)	(38,824)
End-user acquired	15,114	3,152
Ending balance, June 30,	715,081	745,976

Alarm-Monitoring Retail Services

The annualized attrition rates, based upon customer accounts cancelled or becoming significantly delinquent, during the periods presented are as follows:

	Quarter Ended					Annualized attrition for the four quarters ended
	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006	June 30, 2006	June 30, 2006
Legacy and flow	17.79%	19.99%	18.30%	12.12%	11.83%	14.69%
Residential since IPO	12.88%	22.39%	17.54%	12.07%	11.91%	15.07%
Commercial since IPO	12.29%	2.56%	6.16%	5.30%	12.50%	6.48%
Total	**13.82%**	**17.76%**	**15.25%**	**10.60%**	**12.02%**	**13.21%**

The attrition for a given period is calculated as the quotient of (i) the sum of (a) cancelled RMR plus (b) the increase (or minus the decrease) in "disqualified RMR" (i.e., RMR with related account receivable balances over 90 days from invoice date) minus (c) "replacement RMR" (i.e., cancelled or disqualified RMR that has been replaced by the selling Dealer with new RMR as required by the original sales contract with the Dealer); divided by (ii) average "qualified RMR" (i.e., RMR with no related account receivable balances over 90 days from invoice date). When calculating annual attrition (rolling four quarter), account losses for the period are added to the average qualified RMR.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is limited to interest income and expense sensitivity, which is affected by changes in the general level of interest rates. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. To minimize risk, we maintain our portfolio of cash, cash equivalents and short-term and restricted investments in a variety of interest-bearing instruments, including United States government and agency securities, high-grade United States corporate bonds, municipal bonds, mortgage-backed securities, commercial paper and money market accounts at established financial institutions. Due to the nature of our short-term and restricted investments, we believe that we are not subject to any material market risk exposure. We do not have any foreign currency risk. At June 30, 2006, we had no short-term investments and our cash and cash equivalents are invested in money market accounts.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Form 10-Q, the Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this report.

This conclusion was based on the fact that the material weakness that existed at December 31, 2005 disclosed in our Form 10-K filed with the Securities and Exchange Commission (SEC) on March 16, 2006 was still present at June 30, 2006. The material weakness related to the Company not maintaining effective controls over accounts receivable, revenue, and deferred revenue accounts. In light of the material weakness, the Company performed additional post closing procedures to ensure its consolidated financial statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements presented in Item 1 of this Form 10-Q fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended June 30, 2006, except as noted in the following paragraph that have materially effected, or are reasonably likely to materially effect, the Company's internal control over financial reporting.

Plan for Remediation of Material Weaknesses

Our plan to remeditate the above material weakness remains unchanged from that which was disclosed in our Form 10-K filed with the SEC on March 16, 2006. As of the date of this filing, the remediation initiatives management has implemented and will continue to implement include:

- The Company completed the realigning of the billing and cancellation processes related to the retail revenue system to the retail accounting group as of the end of the first quarter 2006. The Company has completed the formal documentation of processing and review controls for these functions and anticipates finalizing the implementation of these policies by end of the third quarter of 2006.

- The Company has completed the reorganization of the customer service and collection groups under the supervision of the Company's Chief Operating Officer during the first quarter of 2006.

- The Company is developing a conversion plan for the remaining three revenue platforms over to the Corporate revenue system. The Company plans to have one of the three remaining systems converted by the end of fourth quarter of 2006. The remaining two systems are expected to be converted in fiscal 2007.

As the Company continues to take the steps to remeditate the identified material weakness, in accordance with SEC and PCAOB guidance, management does not believe that it will fully be able to demonstrate that such material weakness has been remediated until the Company and its independent registered public accounting firm conduct their December 31, 2006 fiscal year-end assessment and audit of the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In March 2003, Protection One, a company engaged in the business of providing security and other alarm monitoring services to residential and commercial customers, brought an action against us in the Superior Court of New Jersey, Camden County for unspecified damages in connection with our purchase of certain alarm monitoring contracts from B&D. B&D had previously sold alarm monitoring contracts to Protection One. As part of such sales, B&D agreed not to solicit any customers whose contracts had been purchased and to keep certain information confidential. Protection One claims that our subsequent purchase of contracts from B&D constitutes tortious interference, that we utilized confidential information belonging to Protection One and that Protection One had an interest in some of the contracts that we purchased from B&D. We plan to vigorously defend this claim. We believe the resolution of this matter will not have a material adverse effect on our financial condition, results of operations or cash flows.

In May 2003, a former employee of McGinn, Smith & Co., Inc. brought an action against us, as well as McGinn, Smith & Co., Inc. and M&S Partners for wrongful termination. The suit brought in the Supreme Court of the State of New York seeks damages of $10,000,000. McGinn, Smith & Co., Inc. and M&S Partners have fully indemnified us from any damages or legal expenses that we may incur as a result of the suit. This employee of McGinn, Smith & Co., Inc. was never our employee. We moved to dismiss the plaintiff's complaint against us and that motion was granted in its entirety, dismissing us from the lawsuit. Plaintiff filed a notice of appeal but did not appeal within the prescribed timeframe. We believe this matter is resolved.

In December of 2005, Ira R. Beer, former president of our American Home Security, Inc ("AHS") subsidiary in Las Vegas, brought an action against AHS and us in District Court for Clark County, Nevada. Mr. Beer seeks monies allegedly due under a certain Employment Agreement dated November 21, 2003. Mr. Beer's employment was terminated, for cause, on December 8, 2005. Mr. Beer's lawsuit alleges that his termination was not for cause and that he is owed unpaid salary through the end of 2006 of some $440,000 and a certain "bonus buy-out" which he asserts to be approximately $2,192,000. He also seeks unspecified punitive damages. We have filed a counterclaim against Mr. Beer for derogation of his management duties. While we recognize that there may be some liability to Mr. Beer as a result of his termination, it is our position that such liability, if any, is significantly less than what Mr. Beer is seeking, and our position will be vigorously defended. Based on the terms of the employment agreement, we have recorded a liability for the "bonus buy-out" during 2005.

On June 26, 2006, our former president Thomas J. Few, Sr. initiated litigation against us in connection with his termination of employment, seeking a monetary award for amounts allegedly due to him under an employment agreement . The claim was filed in the Superior Court of New Jersey, in the Bergen County Law Division. The principal parties to the suit are Thomas J. Few, Sr. and us. Mr. Few alleges that he is owed up to 36 months of pay as well as an amount representing accrued but unused vacation as a result of his resignation following the our alleged breach of the employment agreement. We believe this suit to be without merit and have retained outside counsel to vigorously defend this claim. We believe the resolution of this matter will not have a material adverse effect on our financial condition, results of operations or cash flows.

We are involved in litigation and various legal matters that have arisen in the ordinary course of business. We do not believe that the outcome of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Risk Factors are discussed in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended December 31, 2005.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS

Exhibit 31. Rule 13a-14(a)/15d-14(a) Certifications.
Exhibit 32(a). Certification by the Chief Executive Officer Relating to a Periodic Report Containing Financial Statements.*
Exhibit 32(b). Certification by the Chief Financial Officer Relating to a Periodic Report Containing Financial Statements.*

* The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shal be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 10, 2006

INTEGRATED ALARM SERVICES GROUP, INC.

By: /s/ Charles T. May
Name: Charles T. May
Title: Chief Executive Officer

By: /s/ Michael T. Moscinski
Name: Michael T. Moscinski
Title: Chief Financial Officer