COMMUNITY CENTRAL BANK CORP
Form 10QSB
August 12, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2005

Commission File No. 000-33373

COMMUNITY CENTRAL BANK CORPORATION
(Exact name of small business issuer as specified in its charter)

Michigan	38-3291744
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

100 North Main Street, PO Box 7, Mount Clemens, MI 48046-0007
(Address of principal executive offices and zip code)

(586) 783-4500
(Issuer's telephone number)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	Outstanding at August 12, 2005
Common Stock	3,648,134 Shares

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 X No ___

Transitional Small Business Disclosure Format:

Yes ___ No X

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

PART I

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (Unaudited)	December 31, 2004
Assets	(In thousands)	
Cash and due from banks	$8,489	$4,183
Federal funds sold	7,900	3,000
Cash and Cash Equivalents	16,389	7,183
Securities available for sale, at fair value	63,489	51,425
Securities held to maturity, at amortized cost	1,126	1,161
FHLB stock	3,647	3,246
Residential mortgage loans held for sale	4,041	6,491
Loans		
Commercial loans	218,226	207,300
Residential loans	89,698	83,104
Installment loans	15,563	15,035
Total Loans	323,487	305,439
Allowance for credit losses	(3,874)	(3,377)
Net Loans	319,613	302,062
Net property and equipment	8,478	6,921
Accrued interest receivable	1,648	1,391
Other real estate owned	677	681
Goodwill	1,381	743
Intangibles, net of amortization	255	134
Cash surrender value of Bank owned life insurance	7,690	7,519
Other assets	2,751	2,581
Total Assets	$431,185	$391,538

(continued)

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (Unaudited)	December 31, 2004
Liabilities	(In thousands, except share data)	
Deposits		
Noninterest bearing demand deposits	$39,462	$32,080
NOW and money market accounts	39,853	40,446
Savings deposits	15,731	20,539
Time deposits	208,637	185,791
Total deposits	303,683	278,856
Repurchase agreements	8,990	11,492
Federal Home Loan Bank advances	70,560	63,360
Accrued interest payable	1,067	780
Other liabilities	1,550	944
ESOP note payable	180	205
Subordinated debentures	10,310	10,310
Total Liabilities	396,340	365,947
Stockholders' Equity		
Common stock -- 9,000,000 shares authorized; 3,648,134 shares issued and outstanding at 6-30-2005 and 3,008,152 at 12-31-2004	31,099	20,774
Retained earnings	4,155	5,111
Unearned employee benefit	(180)	(205)
Accumulated other comprehensive (loss) income	(229)	(89)
Total Stockholders' Equity	34,845	25,591
Total Liabilities and Stockholders' Equity	$431,185	$391,538

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
	(In thousands, except per share data)			
Interest Income				
Loans (including fees)	$ 5,152	$ 4,361	$ 9,973	$ 8,508
Securities	702	519	1,262	1,018
Federal funds sold	48	19	94	41
Total Interest Income	5,902	4,899	11,329	9,567

Interest Expense				
Deposits	1,842	1,369	3,396	2,670
Short term borrowings	39	21	78	45
Advances from FHLB	647	442	1,210	892
ESOP loan interest expense	3	2	6	5
Interest expense of subordinated debentures	182	129	347	256
Total Interest Expense	2,713	1,963	5,037	3,868
Net Interest Income	3,189	2,936	6,292	5,699
Provision for credit losses	--	1,475	100	1,600
Net Interest Income after Provision	3,189	1,461	6,192	4,099
Noninterest Income				
Deposit service charges	78	70	148	138
Net realized security gain (loss)	20	(17)	50	120
Mortgage banking income	914	1,476	1,616	2,730
Other income	164	201	308	341
Total Noninterest Income	1,176	1,730	2,122	3,329
Noninterest Expense				
Salaries, benefits, and payroll taxes	1,765	1,952	3,519	3,811
Premises and fixed asset expense	397	377	753	738
Other operating expense	1,039	807	1,818	2,075
Total Noninterest Expense	3,201	3,136	6,090	6,624
Income Before Taxes	1,164	55	2,224	804
Provision for income taxes	334	(51)	642	150
Net Income	$ 830	$ 106	$ 1,582	$ 654

(continued)

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Per share data:				
Basic earnings	$ 0.24	$ 0.04	$ 0.48	$ 0.22
Diluted earnings	$ 0.24	$ 0.03	$ 0.47	$ 0.22
Cash Dividends	$ 0.05	$ 0.05	$ 0.10	$ 0.10

* Per share data has been retroactively adjusted for 2005 stock dividend.

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
	(In thousands)			
Net Income as Reported	$ 830	$ 106	$ 1,582	$ 654
Other Comprehensive Income, Net of Tax				
Change in unrealized losses on securities Available for sale	231	(818)	(140)	(601)
Comprehensive Income	$ 1,061	($ 712)	$ 1,442	$ 53

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	Six Months Ended 2005	
	(In thousand	
Operating Activities		
Net income	$ 1,582	$
Adjustments to reconcile net income to net cash flow from operating activities:		
Net amortization of security premium	146	
Net gain on sales and call of securities	(49)	
Provision for credit losses	100	
Depreciation expense	251	
Deferred income tax expense	130	
ESOP compensation expense	25	
(Decrease) increase in accrued interest receivable	(257)	
Increase (decrease) in other assets	1	
Increase in accrued interest payable	287	
Increase (decrease) in other liabilities	37	
Decrease in loans held for sale	2,405	

Net Cash Provided by Operating Activities	4,658	
Investing Activities		
Maturities, calls, sales and prepayments of securities available for sale	15,760	
Purchase of securities available for sale	(25,805)	(
Maturities, calls, and prepayments of held to maturity securities	34	
Purchases of held to maturity securities	(401)	
(Increase) decrease in loans	(16,924)	(
Purchases of property and equipment	(1,808)	
Net Cash Used in Investing Activities	(29,144)	(
Financing Activities		
Net increase in demand and savings deposits	1,137	
Net increase in time deposits	22,846	
Net decrease in short term borrowings	(2,502)	
Increase (decrease) increase in FHLB advances	7,200	
Rights/Public stock offering	5,275	
Payment of ESOP debt	(25)	
Stock option exercise/award	103	
Cash dividends paid	(342)	
Net Cash Provided by Financing Activities	33,692	
Increase in Cash and Cash Equivalents	9,206	
Cash and Cash Equivalents at the Beginning of the Year	7,183	
Cash and Cash Equivalents at the End of the Period	$ 16,389	$
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 5,037	$
Federal Taxes Paid	$ 450	$

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

COMMUNITY CENTRAL BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. The financial statements of Community Central Bank Corporation (the "Corporation") include the consolidation of its direct and indirect subsidiaries: Community Central Bank (the "Bank") and Community Central Mortgage Company, LLC (the "Mortgage Company").

   The Corporation's Consolidated Balance Sheets are presented as of June 30, 2005 and December 31, 2004, and Consolidated Statements of Income and Comprehensive Income for the six month periods ended June 30, 2005 and 2004, and Consolidated Statements of Cash Flow for the six months ended June 30, 2005 and 2004. These unaudited financial statements are for interim periods, and do not include all disclosures normally provided with annual financial statements. The interim statements should be read in conjunction with the financial statements and footnotes contained in the Corporation's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004.

   In the opinion of management, the interim statements referred to above contain all adjustments (consisting of normal, recurring items) necessary for a fair presentation of the financial statements. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

2. The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America and general practices within the banking industry. The following describes the critical accounting policies, which are employed in the preparation of financial statements.

   Allowance for Credit Losses: The allowance for credit losses is maintained at a level considered by management to be adequate to absorb losses inherent in existing loans and loan commitments. The adequacy of the allowance is based on evaluations that take into consideration such factors as prior loss experience, changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific impaired or problem loans and commitments, current economic conditions that may affect the borrower's ability to pay, and other subjective factors. The determination of the allowance is also based on regulatory guidance. This guidance includes, but is not limited to, generally accepted accounting principles, and guidance issued from other regulatory bodies such as the joint policy statement issued by the Federal Financial Institutions Examination Council.

3. Community Central Capital Trust I, a business trust subsidiary of the Corporation sold 10,000 shares of cumulative preferred securities ("trust preferred securities") at $1,000.00 per trust preferred security in June 2002. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from the Corporation. The trust preferred securities carry a variable rate of interest at the three month libor plus 365 basis points, have a stated maturity of 30 years, and, in effect, are guaranteed by the Corporation. The securities are redeemable at par after 5 years. Distributions on the trust preferred securities are payable quarterly on March 30, June 30, September 30 and December 30. The first distribution was paid on September 30, 2002 and distributions have been made quarterly ever since. Under certain circumstances, distributions may be deferred for up to 20 calendar quarters. However, during any such deferrals, interest accrues on any unpaid distributions at the rate of the three month libor plus 365 basis points. The trust preferred securities are carried on the Corporation's consolidated balance sheet as a liability and the interest expense is recorded on the Corporation's consolidated statement of income.

   The trust preferred securities may constitute up to 25% of tier I capital. Any amount in excess of this limit may be included as tier 2 capital. At June 30, 2005, the total allowable trust preferred issuance of $10 million was included in the Corporation's tier 1 capital. Prior to 2004, the trust was consolidated in the Corporation's financial statements, with the trust preferred securities issued by the trust reported in liabilities as "Guaranteed Preferred Beneficial Interest in the Corporation's Subordinated Debentures" and the subordinated debentures eliminated in consolidation. Under new accounting guidance, FASB Interpretation No. 46, as revised in December 2003, the trust is no longer consolidated with the Corporation, accordingly, the Corporation does not report the securities issued by the trust as liabilities, and instead reports as liabilities the subordinated debentures issued by the Corporation and held by the trust, as these are no longer eliminated in consolidation.

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

Amounts previously reported as "Guaranteed preferred beneficial interest in Corporation's subordinated debentures" in liabilities have been recaptioned "subordinated debentures" and continue to be presented in liabilities on the balance sheet. The effect of no longer consolidating the trust does not significantly change the amounts reported as the Corporation's assets, liabilities, equity, or interest expense.

4. In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-based Payment, (SFAS 123R), which requires entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). The cost is recognized as an expense over the period during which the employee is required to provide service in exchange for the award, which is usually the vesting period. As required by SFAS 123R, as with SFAS 123, the Corporation will be required to estimate the fair value of all stock options on each grant date, using an appropriate valuation approach such as the Black-Scholes option pricing model. The provisions of this statement will be effective for the Corporation beginning January 1, 2006.

The Corporation did not issue incentive options during the six months ended June 30, 2005 or 2004. If the Corporation had used the fair value method of accounting, using the Black Scholes option pricing model and recognizing compensation cost for the outstanding options based on the fair market value of the grant date, net income and earnings per share on a pro forma basis would have been as follows:

	Three Months Ended June 30,		Six Months End June 30,	
	2005	2004	2005	20
	(in thousands, except per share data)			
Net income, as reported	$ 830	$ 106	$ 1,582	$
Deduct: Total stock-based employee and director compensation expense under fair value based methods of awards, net of related tax effects	(31)	(22)	(62)	
Pro forma net income	$ 799	$ 84	$ 1,520	$
Earnings per share				
Basic - as reported	$ 0.24	$ 0.04	$ 0.48	$
Basic - pro forma	$ 0.23	$ 0.03	$ 0.46	$
Diluted - as reported	$ 0.24	$ 0.03	$ 0.47	$
Diluted - pro forma	$ 0.23	$ 0.03	$ 0.45	$

The fair value of each option grant is estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions. The assumptions listed below were used in 2005 and 2004, with no practical changes during each respective period.

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Dividend yield or expected dividends	1.38%	1.49%	1.41%	1
Risk free interest rate	4.20%	4.00%	4.20%	4
Expected life	10 yrs.	7 - 10 yrs.	10 yrs.	7 - 10
Expected volatility	24.65%	9.60%	24.65%	9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion compares the financial condition of the Corporation and its wholly owned subsidiaries at June 30, 2005 and December 31, 2004 and the results of operations for the three and six months ended June 30, 2005 and 2004. This discussion should be read in conjunction with the financial statements and statistical data presented elsewhere in this report. This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy, and about the Corporation and the Bank. Words such as anticipates, believes, estimates, expects, forecasts, intends, is likely, plans, projects, variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are intended to be covered by the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Actual results and outcomes may materially differ from what may be expressed or forecasted in the forward-looking statements. The Corporation undertakes no obligation to update, amend, or clarify forward looking statements, whether as a result of new information, future events (whether anticipated or unanticipated), or otherwise.

Future Factors include changes in interest rate and interest rate relationships; demand for products and services; the degree of competition by traditional and non traditional competitors; changes in banking regulation; changes in tax laws; changes in accounting standards; changes in prices, levies and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in the national and local economy; our ability to successfully integrate acquisitions into our existing operations, and the availability of new acquisition's that build shareholder value; and other factors, including risk factors, referred to from time to time in filings made by the Corporation with the Securities and Exchange Commission.

EXECUTIVE SUMMARY

Community Central Bank Corporation is the holding company for Community Central Bank in Mount Clemens, Michigan. The Corporation opened for business in October 1996 and serves businesses and consumers across Macomb, Oakland and St. Clair counties with a full range of lending, deposit, and Internet banking services. The Bank operates two full service facilities, one in Mount Clemens and the other in Rochester Hills, Michigan. Community Central Mortgage Company, LLC a subsidiary of the Corporation and Bank, operates locations in the Detroit metropolitan area. The Corporation's common shares trade on the Nasdaq National Market under the symbol "CCBD."

The results of operations depend largely on net interest income. Net interest income is the difference in interest income the Corporation earns on interest-earning assets, which comprise primarily commercial business, commercial real estate and residential real estate loans and the interest the Corporation pays on our interest-bearing liabilities, which are primarily certificates of deposit, money market and demand deposits, as well as borrowings. Management strives to match the repricing characteristics of the interest earning assets and interest bearing liabilities to protect net interest income from changes in market interest rates and changes in the shape of the yield curve.

The results of our operations may also be affected by local and general economic conditions. The largest geographic segment of our customer base is in Macomb County, Michigan. The economic base of the county continues to diversify from the automotive service sector. This trend should lessen the impact on the County of future economic downturns in the automotive sector of the economy. Macomb County's proximity to major highways and affordable housing has continued to spur economic growth in the area. Macomb County's outstanding debt has a current credit rating of AAA from Moody's Investor Service as of April 2004. Changes in the local economy may affect the demand for commercial loans and related small to medium business related products. This could have a significant impact on how the Corporation deploys earning assets. The competitive environment among other financial institutions and financial service providers and the Bank in Macomb, Oakland, and St. Clair counties of Michigan may affect the pricing levels of various deposit products. The impact of competitive rates on deposit products may increase the relative cost of funds for the Corporation and thus negatively impact net interest income.

The Corporation continued to grow its balance sheet consistent with a traditional commercial banking model. The Corporation expanded its branching base and assets and deposits in October 2003 through the acquisition of its Rochester Hills, Michigan branch from North Oakland Community Bank. The Corporation expects to continue growth through internal expansion primarily through commercial banking practices.

The Corporation continues to see competitive deposit rates offered from local financial institutions within the geographic proximity of the Bank which could have the affect of increasing the costs of funds to a level higher than management projects. The Corporation continues to utilize wholesale forms of funding earning assets through the FHLB and brokered CDs to balance both interest rate risk and the overall cost of funds. Brokered and internet CDs are based on a nationwide interest rate structure, typically at what is considered to be a premium interest rate. The local competition for CD products has intensified and the Bank has found this type of wholesale funding to often effectively compete with the rates offered for similar term retail CD products of local community and regional banks.

Community Central Mortgage Company, LLC ("the Mortgage Company"), which is a wholly owned mortgage-banking subsidiary of the Bank and the Corporation, has felt the effect of the nationwide slowdown in residential mortgage volumes. The mortgage company has scaled back both variable and fixed costs to better match the reduced revenue generated because of this origination slowdown.

On February 14, 2005, Community Central Bank Corporation completed a subscription rights offering. The Corporation received gross proceeds of approximately $5.4 million from the offering and will use the proceeds to fund its growth strategy, for working capital and for general corporate purposes.

Community Central Bank Corporation (the "Corporation") entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Corporation, Community Central Bank (the "Bank"), and River Place Financial Corp., a Michigan-chartered bank ("River Place"), pursuant to which the Corporation acquired all of the outstanding equity interests of River Plan. River Place was a private bank wholly owned by the descendants of Julius Stroh, founder of The Stroh Brewery Company. River Place was established in 1983 to manage the private banking and trust needs of the Stroh family; and trusts managed by its trust department owned and controlled Stroh Brewery until its sale in 1999. In accordance with the Merger Agreement, River Place merged with and into the Bank with the Bank continuing as the surviving corporation. The consideration paid for River Place was primarily in restricted shares of common stock of the Corporation ("Shares"). The Shares delivered in connection with the Merger Agreement were issued in a transaction exempt from registration under the Securities Act of 1993, as amended, by reason of Section 4(2) thereof, Regulation D, or other private offering exemptions, and similar exemptions under applicable state securities laws. The Shares were issued with restricted security legends.

On June 30, 205, the acquisition and merger were completed after receiving all necessary regulatory approvals and the approval of the shareholders of River Place. The total cash paid to shareholders of River Place Financial Corporation was $512,000. The total shares of common stock of Community Central Bank Corporation exchanged for common shares surrendered from River Place Financial Corporation were 199,999 as prescribed under the merger agreement. Total gross capital generated from the transaction was $2.7 million. A total of $798,000 was generated in intangible assets from the transaction representing $638,000 of goodwill and $160,000 of an intangible asset associated with the customer relationships, which will be amortized on an accelerated basis for approximately 7 years. The total loans acquired through the transaction represented $682,000 at an estimated fair market value. The remaining asset base of River Place Financial Corporation recorded at estimated fair market values represented $2.3 million in short term agency debentures and cash on hand and other assets of $359,000. The total deposits assumed at the close of business on June 30, 2005 were $844,000. The remaining liabilities including accruals and severance payables were $57,000. A total of $75.0 million in off balance sheet trust assets under management were also acquired as part of the transaction.

William A. Penner, CEO of River Place, became the President of the Bank's newly created trust division. After retiring as First Vice President and Business Manager of Estate Settlement in a 30-year career for Comerica Bank, Mr. Penner took over as President of River Place in 1984. The trust division of the Bank has full trust powers and is actively pursuing additional trust customers aside from those relationships acquired as a result of the merger.

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

ASSETS

Total assets increased $39.6 million, or 10.1% for the first six months ended June 30, 2005. The largest segment of asset growth for the first six months of 2005 occurred in the loan portfolio, which increased $18.0 million and total securities which increased $12.0 million.

The largest portion of loan growth occurred primarily in the commercial real estate area consistent with the Corporation's commercial lending focus. During the first quarter, some categories of loans within the commercial and commercial real estate portfolio were reviewed to ensure the proper reporting of underlying collateral and purpose of the loan. It was determined that approximately $12 million of commercial and industrial loans should be classified as commercial real estate loans based on the underlying collateral. When both the commercial real estate loans and commercial and industrial loans are combined, the net increase from December 31, 2004 to the period ended June 30, 2005 is $10.9 million, representing the largest portion of total loan growth. Total residential real estate loans increased $7.7 million during the first six months of 2005. Most of the growth in the residential portfolio occurred in the second quarter of 2005 and was comprised of adjustable rate mortgages. The Corporation continues to focus on generation of adjustable rate mortgages for its portfolio of residential mortgage loans, with approximately $49.6 million in total. The home equity line portfolio decreased $1.1 million during the first six months of 2005. This portfolio product is tied to the Wall Street prime interest rate. As short-term market rates have increased during 2005, some customers have moved balances in the home equity lines into other fixed rate products with lower overall interest rates. The consumer loan portfolio increased $526,000 for the six months ended June 30, 2005. The increase was primarily due to seasonal boat loans.

The total security portfolio at June 30, 2005 was $64.6 million, which was comprised of $63.5 million in available for sale securities and $1.1 million in held to maturity securities. The security portfolio primarily consisted of federal agency securities and bank qualified tax-exempt municipal securities. The total portfolio increased $12.0 million from December 31, 2004. A portion of the increase in investment securities was attributable to funding from the rights offering completed in February 2005. These funds were invested into mortgage-backed securities with principal repayment characteristics that could be used to fund loan advances at a later date. The net change was driven by purchases of $28.5 million, with maturities, calls and sales comprising a reduction of $16.5 million. During the six months ended June 30, 2005, the federal agency debenture portfolio increased $6.6 million, which are partially pledged against repurchase agreements. The federal agency mortgage backed securities increased $2.5 million. The remaining increase in the total security portfolio comprised bank qualified tax-exempt municipal bonds. At June 30, 2005, the available for sale portfolio had a net unrealized loss of $345,000, compared to a $135,000 unrealized loss at December 31, 2004. Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality. We have the intent and ability to hold the securities for the foreseeable future and the decline in the fair value is primarily due to increased market interest rates.

Mortgage loans held for sale totaled $4.0 million at June 30, 2005 compared to $6.5 million at December 31, 2004. The decrease in mortgages held for sale was due to seasonality and an overall decrease in mortgage loan demand compared to prior periods. The mortgage loans were originated by the Bank's mortgage subsidiary. Loans closed generally remain in loans held for sale for less than 30 days. Loans are normally committed for sale before funding takes place. The Corporation makes loans to customers primarily in Macomb County, Michigan. Although the Corporation has a diversified loan portfolio, a substantial portion of the local economy has traditionally been dependent on the automotive industry. Accordingly, a downturn in the automotive industry could adversely affect a borrower's ability to repay its loan. Additionally, the Corporation had approximately $65.1 million in outstanding loans at June 30, 2005, to borrowers in the real estate rental and property management industries, representing approximately 34.7% of the total commercial real estate loan portfolio.

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

The major components of the loan portfolio for loans held for sale and loans in the portfolio are as follows:

	June 30, 2005	Percentage of total loans	December 31, 2004	Percent of total
		(in thousands, except perc		
Loans held for sale:				
Residential real estate	$ 4,041	100.0%	$ 6,491	100.0
Loans held in the portfolio:				
Commercial real estate*	$187,795	58.1%	$166,686	54.6
Commercial and industrial*	30,431	9.4	40,614	13.3
Residential real estate	71,907	22.2	64,240	21.0
Home equity lines	17,791	5.5	18,864	6.2
Consumer loans	14,903	4.6	14,377	4.7
Credit cards	660	0.2	658	0.2
	$323,487	100.0%	$305,439	100.0

*Approximately $12 million of the commercial and industrial loan portfolio was reclassified during the 1st quarter of 2005 as commercial real estate loans as discussed above.

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

A summary of nonperforming assets is as follows:

	June 30, 2005	December 31, 2004
	(Dollars in thousands)	
Nonaccrual loans:		
Commercial real estate	$ --	$ 220
Commercial and industrial	794	305
Residential real estate	48	16
Home equity lines	--	--
Consumer loans	--	--
Credit cards	--	--
Total nonaccrual loans	842	541
Accruing loans delinquent more than 90 days:		
Commercial real estate	$ --	$ --
Commercial and industrial	--	--

Residential real estate	410	100
Home equity lines	--	--
Consumer loans	31	124
Credit cards	26	10
Total accruing loans delinquent more than 90 days	467	234
Total nonperforming loans	1,309	775
Other real estate owned		
Commercial real estate	661	681
Residential real estate	16	--
Total other real estate owned	677	681
Total nonperforming assets	$1,986	$1,456
Total nonperforming loans as a percentage of total loans	0.40%	0.25%
Total nonperforming assets as a percentage of total assets	0.46%	0.37%

At June 30, 2005, nonperforming loans totaled $1,309,000 compared to $775,000 at December 31, 2004, an increase of $534,000. The largest portion of the increase was attributable to an increase in nonaccrual loans of $301,000. The increase in nonaccrual loans was primarily due to the purchase of a mortgage position of a financial institution with a common interest in a loan to strengthen the position of the Bank in the subsequent disposition of the collateral on the loan. Total nonperforming loans represented 0.40% of the total portfolio loans as of June 30, 2005 which is an increase from December 31, 2004 of 0.25%. The balance of other real estate owned at June 30, 2005 was $677,000, relatively unchanged from December 31, 2004.

The following table shows an analysis of the allowance for credit losses:

	June 30, 2005	December 31, 2004
	(Dollars in thousands)	
Balance as beginning of the period	$ 3,377	$ 3,573
Charge-offs:		
Commercial real estate	--	--
Commercial and industrial	57	2,040
Residential real estate	18	61
Home equity lines	--	--
Consumer loans	141	71
Credit cards	1	44
Total charge-offs	$ 217	$ 2,216

Recoveries:		
Commercial real estate	--	--
Commercial and industrial	600	1
Residential real estate	--	--
Home equity lines	--	--
Consumer loans	13	18
Credit cards	1	1
Total recoveries	$ 614	$ 20
Net charge-offs (recoveries)	(397)	2,196
Provision charged to earnings	100	2,000
Balance at end of the period	$ 3,874	$ 3,377
As a percentage of total portfolio loans	1.20%	1.11%

The allowance for credit losses as a percentage of total loans remaining relatively unchanged at June 30, 2005, compared to December 31, 2004. The allowance for credit losses as a percentage of nonperforming loans was 295.9% at June 30, 2005. The allowance for loan losses increased $437,000 in the second quarter of 2005 from loan recoveries, which were primarily attributable to partial collection of loan charge offs recorded in June 2004. Year to date net recoveries were $397,000, or 0.26% of average loans on an annualized basis. No provision for credit losses was made in the second quarter of 2005, based on credit quality, coupled with the size of the aforementioned loan recoveries. The second quarter 2005 recoveries were in contrast to the large loan loss provision of $1.5 million and net loan charge offs of $1.9 million necessary in the second quarter of 2004. The loan portfolio has been reviewed and analyzed for the purpose of estimating probable credit losses inherent in the loan portfolio. The Corporation performs a detailed quarterly review of the allowance for credit losses. The Corporation evaluates those loans classified as substandard, under its internal risk rating system, on an individual basis for impairment under SFAS 114. The level and allocation of the allowance is determined primarily on management's evaluation of collateral value, less the cost of disposal, for loans reviewed in this category. The remainder of the total loan portfolio is segmented into homogeneous loan pools with similar risk characteristics for evaluation under SFAS 5. The allowance for credit losses in maintained at a level considered by management to be adequate to absorb losses inherent in existing loans and loan commitments. The adequacy of the allowance is based on evaluations that take into consideration such factors as prior loss experience, changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific impaired or problem loans and commitments, current economic conditions that may affect the borrower's ability to pay, and other subjective factors. The determination of the

allowance is also based on regulatory guidance. This guidance includes, but is not limited to, generally accepted accounting principles, and guidance issued from other regulatory bodies such as the joint policy statement issued by the Federal Financial Institutions Examination Council. The Corporation's policy dictates that specifically identified credit losses be recognized immediately by a charge to the allowance for credit losses. Management believes that the present allowance is adequate, based on the broad range of considerations utilized.

Although management believes that the allowance for credit losses is adequate to absorb losses as they arise, there can be no assurance that the Corporation will not sustain losses in any given period that could be substantial in relation to the size of the allowance for credit losses.

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

LIABILITIES

During the six months ended June 30, 2005, total deposits increased $24.8 million to $303.7 million. The increase in deposits was attributable to increases in time deposits $100,000 and over, which increased $23.5 million. Noninterest bearing demand deposits and NOW accounts increased $7.4 million and $7.6 million, respectively. This was offset by decreases in money market and savings accounts of $13.0 million. The decrease in money market balances was attributable to seasonal factors, the current competitive rate environment and movement of funds between deposit products within the Bank.

The largest segment of deposit growth occurred in jumbo certificates of deposit. Brokered certificates of deposits increased $12.2 million during the first six months of 2005 to $62.3 million at June 30, 2005. Internet certificates of deposit decreased $6.6 million to end at $21.0 million at June 30, 2005. Local municipal time deposits totaled $51.0 million at June 30, 2005, which is an increase of $4.7 million from December 31, 2004. The Corporation continues to see competitive deposit rates offered from local financial institutions within the geographic proximity of the Bank which could have the affect of increasing the cost of funds to a level higher than management projects. The Corporation continues to utilize wholesale forms of funding earning assets through the FHLB and brokered CDs to balance both interest rate risk and the overall cost of funds. Brokered and internet CDs are based on a nationwide interest rate structure, typically at what is considered to be a premium interest rate. The local competition for CD products has intensified and the Bank has found this type of wholesale funding to often effectively compete with the rates offered for similar term retail CD products of local community and regional banks.

The major components of deposits are as follows:

	June 30, 2005	Percentage of total deposits	December 31, 2004	Percentage of total deposits
			(Dollars in Thousands)	
Noninterest bearing demand	$ 39,462	13.0%	$ 32,080	11.5%
NOW accounts-interest bearing checking	20,210	6.7	12,575	4.5
Money market	19,643	6.5	27,871	10.0
Savings	15,731	5.2	20,539	7.4
Time deposits under $100,000	59,723	19.6	60,375	21.6
Time deposits $100,000 and over	148,914	49.0	125,416	45.0
Total deposits	303,683	100.00%	278,856	100.0%

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

Short term borrowings at June 30, 2005 consisted of short term FHLB advances of $16.7 million and securities sold with an agreement to repurchase them the following day of $8.9 million. Following are details of our short term borrowings for the dates indicated:

	June 30, 2005	December 31, 2004
	(Dollars in thousands)	
Amount outstanding at end of period		
Repurchase agreements	$ 8,900	$11,492
Short-term FHLB advances	$16,700	$17,000
Weighted average interest rate on ending balance		
Repurchase agreements	2.00%	1.00%
Short-term FHLB advances	3.15%	2.23%
Maximum amount outstanding at any month end during the period		
Repurchase agreements	$ 8,950	$24,995
Short-term FHLB advances	$24,000	$17,000

In June 2001, the Corporation started to borrow long-term advances from the FHLB to fund fixed rate instruments and to minimize the interest rate risk associated with certain fixed rate mortgage instruments and investment securities. These advances are secured under a blanket security agreement by first mortgage loans and the pledging of certain securities. Long-term advances comprised thirty advances with maturities from July 2006 to June 2015.

FHLB advances outstanding at June 30, 2005 were as follows:

	Ending Balance	Average rate at end of period
	(Dollars in thousands)	
Short-term FHLB advances	$16,700	3.15%
Long-term FHLB advances	53,860	4.15%
	$70,560	3.91%

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

LIQUIDITY AND CAPITAL RESOURCES

The liquidity of a bank allows it to provide funds to meet loan requests, to accommodate possible outflows in deposits, and to take advantage of other investment opportunities. Funding of loan requests, providing for liability outflows, and managing interest rate risk require continuous analysis to match the maturities of specific categories of loans and investments with specific types of deposits and borrowings. Bank liquidity depends upon the mix of the banking institution's potential sources and uses of funds. The major sources of liquidity for the Bank have been deposit growth, federal funds sold, loans and securities which mature within one year, and sales of residential mortgage loans. Additional liquidity is provided by $22.5 million in available unsecured federal funds borrowing facilities, and a $75.0 million secured line of credit with the FHLB. Large deposit balances which might fluctuate in response to interest rate changes are closely monitored. These deposits consist mainly of jumbo time certificates of deposit. We anticipate that we will have sufficient funds available to meet our future commitments. As of June 30, 2005, unused commitments comprised $81.8 million. The Bank has $142.0 million in time deposits coming due within the next twelve months from June 30, 2005. At June 30, 2005, the Bank had $62.2 million in brokered certificates of deposit, of which $31.0 million is due within one year or less. Additionally, at June 30, 2005, municipal time deposits and internet time deposits were $51.0 million and $21.0 million, respectively. Municipal time deposits typically have maturities less than three months. $15.7 million of internet certificates of deposit mature in one year or less. On May 17, 2005, the Corporation's Board of Directors declared the Corporation's thirteenth consecutive quarterly cash dividend of $0.05 per common share, payable July 1, 2005, to shareholders of record June 1, 2005.

Following are selected capital ratios for the Corporation and the Bank as of the dates indicated, along with the minimum regulatory capital requirement for each item. Capital requirements for bank holding companies are set by the Federal Reserve Board. In many cases, bank holding companies are expected to operate at capital levels higher than the minimum requirement.

	June 30, 2005		December 31, 2004		Minimum R for Capi Adequac Purpose
	Capital	Ratio	Capital	Ratio	
Total capital to risk-weighted assets					
Consolidated	$47,312	14.68%	$38,177	12.58%	8%
Bank only	40,961	12.75%	36,349	12.00%	8%
Tier I capital to risk-weighted assets					
Consolidated	$43,438	13.48%	$33,068	10.90%	4%
Bank only	37,087	11.54%	32,972	10.89%	4%
Tier I capital to average assets					
Consolidated	$43,438	10.64%	$33,068	8.47%	4%
Bank only	37,087	9.13%	32,972	8.47%	4%

Management believes that the current capital position as well as net income from operations, loan repayments and other sources of funds will be adequate to meet our short and long term liquidity needs.

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

The following table shows the changes in stockholders' equity for the six months ended June 30, 2005:

	Common Stock	Retained Earnings	Unearned Employee Benefits	Accumulated Other Comprehensive Income/(Loss)
Beginning balance, January 1	$20,774	$5,111	$(205)	$(89)
Cash dividend	--	(341)	--	--
Stock option exercise/stock awards	103	--	--	--
Rights offering	5,275	--	--	--
Stock dividend	2,197	(2,197)	--	--
Net income	--	1,582	--	--
Release of ESOP shares	--	--	25	--
RPFC merger	2,750	--	--	--
Change in unrealized gain/loss	--	--	--	(140)
Balance June 30, 2005	$31,099	$4,155	$(180)	$(229)

NET INTEREST INCOME

For the quarter ended June 30, 2005, net interest income increased by 8.6%, or $253,000, over the second quarter of 2004. This increase was primarily attributable to an expanded interest earning asset base, which was aided by an increased net interest margin. The increase in interest income over the respective periods was primarily related to a rate variance because of increases in short-term market interest rates and corresponding sensitivity of earning assets. The increase in interest expense was also related to an increase in short-term market interest rates and caused a rate variance that almost matched the rate variance of interest income. The net interest margin increased primarily from the increase in short term market interest rates and the corresponding increase in the yield on prime sensitive loans contained in the commercial real estate and commercial and industrial portfolios, when comparing the quarterly period of June 30, 2005 to the quarterly period June 30, 2004. The Corporation had approximately $145.8 million in loans that could reprice within three months as of June 30, 2005. The net interest margin on a fully taxable equivalent basis increased for the second quarter of 2005 to 3.32% compared to the second quarter of 2004 at 3.25%.

For the six months ended June 30, 2005, net interest income increased 10.4%, or $593,000, over the first six months of 2004. Again, the increase was due to an increase in earning assets and an increase in net interest margin. Net interest margin on a fully taxable equivalent basis was 3.33% for the six months ended June 30, 2005 compared to 3.22% for the same period last year, or an increase of 11 basis points. Although net interest margin expanded during the comparative six-month periods of 2005 over 2004, the anticipated favorable effect of short term market interest rates was somewhat subdued, compared to previous economic time periods when short term interest rates rose due in part to highly competitive rates for deposit products and the reaction to short term interest rates amongst the local competition. In some cases, the Corporation found it more advantageous from a pricing and term matching standpoint to utilize brokered certificates of deposit and Federal Home Loan Bank advances for funding sources over local deposits. The flattening of the treasury yield curve has also made comparative spreads between new earning assets and corresponding interest bearing liabilities much smaller than in previous years.

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

The following table shows the dollar amount of changes in net interest income for each major category of interest earning asset and interest bearing liability, and the amount of change attributable to changes in average balances (volume) or average rates for the periods shown. Variances that are jointly attributable to both volume and rate changes have been allocated to the volume component.

	Three Months Ended June 30, 2005 vs. 2004		
		Increase (Decrease) Due to Changes In	
	Total	Volume and Both	Rate
			(In thousa
Earning Assets - Interest Income			
Loans	$791	$234	$557
Securities	183	139	44
Federal funds sold	29	(28)	57
Total	1,003	345	658
Deposits and Borrowed Funds - Interest Expense			
NOW and money market accounts	30	(17)	47
Savings deposits	54	40	14
Time deposits	389	28	361
FHLB and repo sweeps	223	104	119
ESOP	1	(1)	2
Subordinated debentures	53	--	53
Total	750	154	596
Net Interest Income	$253	$191	$62

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

AVERAGE BALANCE SHEET

The following tables show the Corporation's consolidated average balances of assets, liabilities, and stockholders' equity; the amount of interest income or interest expense and the average yield or rate for each major category of interest earning asset and interest bearing liability, and the net interest margin, for the three and six month periods ended June 30, 2005 and 2004. Average loans are presented net of unearned income, gross of the allowance for credit losses. Interest on loans includes loan fees. Average securities are based on amortized cost.

	Three Months Ended Jun			
	2005			
	Average Balance	Interest Income/ Expense	Average Rate Earned/ Paid	Ave Bal
	(In thousands)			
Assets				
Loans	$320,204	$5,152	6.44%	$30
Securities	67,880	702	4.14	5
Federal funds sold	5,658	48	3.39	
Total Earning Assets/ Total Interest Income	393,742	5,902	6.00	36
Cash and due from banks	7,835			
All other assets	17,435			1
Total Assets	$419,012			$38
Liabilities and Equity				
NOW and money market accounts	$38,464	138	1.44	$4
Savings deposits	20,227	98	1.94	1
Time deposits	202,920	1,606	3.17	19
FHLB advances and repurchase agreements	76,567	686	3.58	6
ESOP loan	187	3	6.42	
Subordinated debentures	10,310	182	7.06	1
Total Interest Bearing Liabilities/ Total Interest Expense / Interest Rate Spread	348,675	2,713	3.11	33
Noninterest bearing demand deposits	36,774			3
All other liabilities	1,873			
Stockholders' equity	31,690			2
Total Liabilities and Stockholder's Equity	$419,012			$38
Net Interest Income		$3,189		
Net Interest Margin (Net Interest Income/Total Earning Assets)			3.24%	
Net Interest Margin (fully taxable equivalent)			3.32%	

COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

	Six Months Ended June			
	2005			
	Average Balance	Interest Income/ Expense	Average Rate Earned/ Paid	Av Ba
			(In thousands)	
Assets				
Loans	$315,777	$9,973	6.32%	$2
Securities	63,119	1,262	4.00	
Federal funds sold	6,665	94	2.82	
Total Earning Assets/ Total Interest Income	385,561	11,329	5.88	3
Cash and due from banks	7,299			
All other assets	17,031			
Total Assets	$409,891			$3
Liabilities and Equity				
NOW and money market accounts	$38,191	245	1.28	$
Savings deposits	21,115	204	1.93	
Time deposits	196,966	2,947	2.99	1
FHLB advances and repurchase agreements	75,448	1,288	3.41	
ESOP loan	193	6	6.22	
Subordinated debentures	10,310	347	6.73	
Total Interest Bearing Liabilities/ Total Interest Expense / Interest Rate Spread	342,223	5,037	2.94	3
Noninterest bearing demand deposits	35,811			
All other liabilities	1,746			
Stockholders' equity	30,111			
Total Liabilities and Stockholder's Equity	$409,891			$3
Net Interest Income		$6,292		
Net Interest Margin (Net Interest Income/Total Earning Assets)			3.26%	
Net Interest Margin (fully taxable equivalent)			3.33%	

PROVISION FOR CREDIT LOSSES

The allowance for loan losses increased $437,000 in the second quarter of 2005 from loan recoveries, which were primarily attributable to partial collection of loan charge offs recorded in June of 2004. Year to date net recoveries were $397,000, or 0.26% of average loans on an annualized basis. No provision for credit losses was made in the second quarter of 2005, based on credit quality, coupled with the size of the aforementioned loan recoveries. The second quarter 2005 recoveries were in contrast to the large loan loss provision of $1.5 million necessary in the second quarter 2004.

The provision for credit losses for the six months of 2005 was $100,000, and in contrast, the provision recorded for the first six months of 2004, was $1.6 million. The net recoveries of $397,000 coupled with the provision of $100,000 added $497,000 to the allowance for the period ended June 30, 2005.

NONINTEREST INCOME

Noninterest income in the second quarter of 2005 was $1.2 million, a decrease of $554,000 compared to the second quarter of 2004. This was primarily due to a decrease in gains from the sale of residential mortgages, which was $914,000 for the second quarter of 2005 compared to $1.5 million during the second quarter of 2004. The decrease in the gains on the sales of mortgage loans was due to lower origination loan volumes than in the second quarter of 2004. A decrease in mortgage loan origination from prior years because of a slow down in refinance activity has been experienced industry wide. Service charge income of $78,000 increased $8,000, or 11.4% from increased efforts to manage discretionary reversals. Net security gains of $20,000 for the second quarter were the result of restructuring activities. Other income of $164,000 for the second quarter of 2005 compared to $201,000 during the second quarter of 2004 was due primarily to a loan sale recorded in the second quarter of 2004.

Noninterest income for the first six months of 2005 of $2.1 million was also down from the first six months of 2004, again primarily from decreases in gains on the sale of residential mortgages. Service charge income for the first six months of 2005 was $148,000, an increase of $10,000 over the first six months of 2004. The increase in service charge income was primarily due to a lower percentage of service charge reversals and overall increases in service charge fees assessed. Total net security gains of $50,000 were attributable to restructuring in the security portfolio and down from $120,000 recorded in net gains from the first six months of 2004. Mortgage banking income comprising primarily gains on the sale of residential mortgages was $1.6 million, down $1.1 million from the first six months of 2004 due to the lower volume of mortgage originations and subsequent sales in the secondary market. Other income for the first six months of 2005 was $308,000, decreasing $33,000 from the same period last year due to a portfolio loan gain recorded during the first six months of 2004.

NONINTEREST EXPENSE

Noninterest expense was relatively flat at $3.2 million for the second quarter of 2005 compared to $3.1 million in the second quarter of 2004. Decreases in salary and benefit costs attributable to commissions paid on a lower volume of mortgage originations were offset by increases in costs associated with the River Place Financial merger and general start up costs associated with the new trust division of the Bank. Total salary, benefits and payroll taxes were $1.8

million, down $187,000 from the second quarter of 2004, again due to lower commission expense from mortgage originations. Net occupancy expense for the second quarter increased $20,000, or 5.3%. The increase in occupancy expense was related to overall increases in the general costs including property taxes and maintenance. Other operating expense was $1.0 million, increasing from $807,000 from the second quarter of 2004 as the result of the aforementioned River Place Financial merger, coupled with general increases in the cost of an expanding operation.

Noninterest expense for the first six months of 2005 of $6.1 million was down $534,000, or 8.1% primarily due to lower commission expense paid on a corresponding lower volume of mortgage loan origination activity. Total salaries, benefits and payroll taxes of $3.5 million for the first six months of 2005 decreased $292,000 from the same period in 2004 due to a decrease in commission expense. Net occupancy expense was relatively unchanged for the respective six month periods, increasing $15,000, or 2.0%. Other operating expense of $2.1 million decreased $257,000, or 12.4% due to lower costs related to lower mortgage origination volumes and related costs from the mortgage company subsidiary.

PROVISION FOR INCOME TAXES

The provision for federal income taxes of $334,000 for the quarter ended June 30, 2005 increased $385,000 over the second quarter of 2004. The increase in the federal income tax provision was related to increased pretax income, as well as a higher effective tax rate over the respective periods. The higher effective tax rate was attributable to comparative levels of investments in bank qualified tax-exempt securities and bank owned life insurance over the same respective periods.

The provision for federal income taxes of $642,000 for the six months ended June 30, 2005 increased $492,000 over the first six months of 2004. Again, the pretax income level was higher over the respective periods and the effective tax rate was also higher. The effective tax rate for the first six months of 2005 was 28.9% compared to 18.7% for the first six months of 2004. The difference in the effective rates is due to the relative percentage of tax-exempt income to the total pretax income, which would include both taxable and tax exempt income. The tax-exempt income as a percentage of total pretax income was 18%, compared to 52% for the six month periods ended June 30, 2005 and 2004, respectively.

ASSET/LIABILITY MANAGEMENT

The Asset Liability Management Committee ("ALCO"), which meets at least quarterly, is responsible for reviewing interest rate sensitivity position and establishing policies to monitor and limit exposure to interest rate risk.

Currently two quantitative tools are used to measure and monitor interest rate risk: static gap analysis and net interest income simulation modeling. Each of these interest rate risk measurements has limitations, but management believes when these tools are evaluated together, they provide a balanced view of our exposure to interest rate risk.

Static gap analysis measures the difference between the assets and liabilities repricing or maturing within specific time periods. An asset-sensitive position indicates that there are more rate-sensitive assets than rate-sensitive liabilities repricing or maturing within specific time periods, which would generally imply a favorable impact on net interest income in periods of rising interest rates and a negative impact in periods of falling rates. A liability-sensitive position would generally imply a negative impact on net interest income in periods of rising rates and a positive impact in periods of falling rates.

Static gap analysis has limitations because it cannot measure precisely the effect of interest rate movements and competitive pressures on the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities. In addition, a significant portion of our adjustable-rate assets have limits on their maximum yield, whereas most of our interest-bearing liabilities are not subject to these limitations. As a result, certain assets and liabilities indicated as repricing within a stated period may in fact reprice at different times and at different volumes, and certain adjustable-rate assets may reach their yield limits and not reprice.

The following table presents an analysis of our interest-sensitivity static gap position at June 30, 2005. All interest-earning assets and interest-bearing liabilities are shown based on the earlier of their contractual maturity or repricing date adjusted by forecasted repayment and decay rates. Asset prepayment and liability decay rates are selected after considering the current rate environment, industry prepayment and decay rates and our historical experience. At June 30, 2005, we are considered asset sensitive in the time interval of the first three months. We are also considered to be slightly liability sensitive at the one year accumulated gap position.

	Within Three Months	After Three Months But Within One Year	After One Year But Within Five Years	After Five Years
			(Dollars in thousands)	
Interest earning assets:				
Federal funds sold	$ 7,900	$ --	$ --	$ -
Securities	19,485	4,446	23,609	17,42
FHLB stock	--	--	--	3,64
Portfolio loans and held for resale	145,813	17,929	126,634	37,15
Total	173,198	22,375	150,243	58,21
Interest bearing liabilities:				
NOW and money market accounts	3,396	14,897	21,560	-
Savings deposits	1,573	4,562	9,596	-
Jumbo time deposits	53,572	49,546	45,796	-

Time deposits <$100,000	12,144	27,553	20,026	--
Repurchase agreements	8,990	--	--	-
FHLB	11,700	5,000	44,860	9,00
ESOP payable	180	--	--	-
Subordinated debentures	10,310	--	--	-
Total	101,865	101,558	141,838	9,00
Interest rate sensitivity gap	$ 71,333	($79,183)	$ 8,405	$ 49,21
Cumulative interest rate sensitivity gap		($7,850)	$555	$ 49,77
Interest rate sensitivity gap ratio	1.70	0.22	1.06	6.4
Cumulative interest rate sensitivity gap ratio		0.96	1.00	1.1

We also evaluate interest rate risk using a simulation model. The use of simulation models to assess interest rate risk is an accepted industry practice, and the results of the analysis are useful in assessing the vulnerability of our net interest income to changes in interest rates. However, the assumptions used in the model are oversimplifications and not necessarily representative of the actual impact of interest rate changes. The simulation model assesses the direction and magnitude of variations in net interest income resulting from potential changes in market interest rates. Key assumptions in the model include prepayment speeds of various loan and investment assets; cash flows and maturities of interest-sensitive assets and liabilities, and changes in market conditions impacting loan and deposit volumes and pricing. These assumptions are inherently uncertain, and subject to fluctuation and revision in a dynamic environment. Therefore, the model cannot precisely estimate future net interest income or exactly predict the impact of higher or lower interest rates. Actual results may differ from simulated results due to the timing, magnitude, and frequency of interest rate changes, changes in market conditions, management's pricing decisions, and customer reactions to those decisions, among other factors.

On a quarterly basis, the net interest income simulation model is used to quantify the effects of hypothetical changes in interest rates on the Bank's net interest income over a projected twelve-month period. The model permits management to evaluate the effects of shifts in the Treasury yield curve, upward and downward, on net interest income expected in a stable interest rate environment.

As of March 31, 2005 the table below, based on the most recent available analysis, reflects the impact the various instantaneous parallel shifts in the yield curve would have on net interest income over a twelve month period of time from the base forecast.

Interest Rate Scenario	Percentage Change In Net Interest Income
Interest rates up 300 basis points	2.3%
Interest rates up 200 basis points	2.2%

Interest rates up 100 basis points	1.6%
Base case	
Interest rates down 100 basis points	(2.0%)
Interest rates down 200 basis points	(2.0%)
Interest rates down 300 basis points	(2.4%)

ITEM 3. CONTROLS AND PROCEDURES

An evaluation of the Corporation's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities and Exchange Act of 1934 ("Act")) as of June 30, 2005, was carried out under the supervision and with the participation of the Corporation's Chief Executive Officer, Chief Financial Officer and several other members of the Corporation's senior management. The Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures as currently in effect are effective in ensuring that the information required to be disclosed by the Corporation in the reports it files or submits under the Act is (i) accumulated and communicated to the Corporation's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a--15(f) of the Act) that occurred during the quarter ended June 30, 2005, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Corporation intends to continually review and evaluate the design and effectiveness of its disclosure controls and procedures and to improve its controls and procedures over time and to correct any deficiencies that it may discover in the future. The goal is to ensure that senior management has timely access to all material non-financial information concerning the Corporation's business. While the Corporation believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Corporation to modify its disclosures and procedures.

The Corporation does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedure, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and annually report on their systems of internal control over financial reporting. In addition, our independent accountants must report on management's evaluation. We are in the process of evaluating, documenting and testing our system of internal control over financial reporting to provide the basis for our report that will, for the first time, be a required part of our annual report on Form 10-KSB for the fiscal year ending December 31, 2006. Due to the ongoing evaluation and testing of our internal controls, there can be no assurance that if any control deficiencies are identified they will be remediated before the end of the 2006 fiscal year, or that there will not be significant deficiencies or material weaknesses that would be required to be reported.

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-Q5B (continued)

PART II

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

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.

On April 19, 2005, Community Central Bank Corporation held its Annual Meeting of Stockholders ("Meeting"). The following matters were voted on at the Meeting.

Election of the following persons as directors of the Corporation for terms to expire in 2008:

NOMINEE	VOTES FOR	VOTES WITHHELD	TOTAL
Gebran S. Anton	2,842,924	94,380	2,937,304
David E. Bonior	2,877,403	59,901	2,937,304
Joseph F. Jeannette	2,897,463	39,841	2,937,304

The following are the names of the directors (and remaining term) whose term in office continued after the Meeting: Joseph Catenacci (2006); Salvatore Cottone (2007), Dean S. Petitpren (2007), Ronald R. Reed (2007) and David A. Widlak (2006).

ITEM 5. OTHER INFORMATION.

Cash Dividend - On May 17, 2005, the Corporation's Board of Directors declared the Corporation's thirteenth quarterly cash dividend of $0.05 per common share, payable July 1, 2005, to shareholders of record June 1, 2005.

ITEM 6. EXHIBITS.

See Exhibit Index attached.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 12, 2005.

COMMUNITY CENTRAL BANK CORPORATION

By: S/ DAVID A. WIDLAK

David A. Widlak;
President and CEO
(Principal Executive Officer)

By: S/ RAY T. COLONIUS

Ray T. Colonius;
Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
3.1	Articles of Incorporation are incorporated by reference to Exhibit 3.1 of the Corporation's Registration Statement on Form SB-2 (SEC File No. 333-04113) which became effective on September 23, 1996
3.2	Bylaws of the Corporation are incorporated by reference to Exhibit 3.2 of the Corporation's

	Quarterly Report on Form 10-QSB filed with the SEC for the quarter ended June 30, 2004 (SEC File No. 000-33373)
4.1	Specimen of Stock Certificate of Community Central Bank Corporation is incorporated by reference to Exhibit 4.2 of the Corporation's Registration Statement on Form SB-2 (SEC File No. 333-04113) which became effective on September 23, 1996
10.1	1996 Employee Stock Option Plan is incorporated by reference to Exhibit 10.1 of the Corporation's Registration Statement on Form SB-2 (SEC File No. 333-04113) which became effective September 23, 1996
10.2	1996 Stock Option Plan for Nonemployee Directors is incorporated by reference to Exhibit 10.2 of the Corporation's Registration Statement on Form SB-2 (SEC File No. 333-04113) which became effective September 23, 1996
10.3	1999 Stock Option Plan for Directors in incorporated by reference to Exhibit 10.5 of the Corporation's Annual Report filed with the SEC on Form 10-KSB for the year ended December 31, 1999 (SEC File No. 000-33373)
10.4	2000 Employee Stock Option Plan is incorporated by reference to Exhibit 10.6 of the Corporation's Annual Report filed with the SEC on Form 10-KSB for the year ended December 31, 2000 (SEC File No. 000-33373)
10.5	2002 Incentive Plan is incorporated by reference to Exhibit 10.7 of the Corporation's Annual Report filed with the SEC on Form 10-KSB for the year ended December 31, 2001 (SEC File No. 000-33373)
10.6	Community Central Bank Supplemental Executive Retirement Plan is incorporated by reference to Exhibit 10.6 of the Corporation's Quarterly Report on Form 10-QSB filed with the SEC for the quarter ended June 20, 3003 (SEC File No. 000-33373)
10.7	Community Central Bank Death Benefit Plan is incorporated by reference to Exhibit 10.7 of the Corporation's Quarterly Report on Form 10-QSB filed with the SEC for the quarter ended June 20, 3003 (SEC File No. 000-33373)
10.8	Form of Incentive Stock Option Agreement incorporated by reference to Exhibit 99.1 of the Corporation's Current Report on Form 8-K filed with the SEC on March 25, 2005. (SEC File No. 000-33373)
10.9	Summary of Named Executive Officer Salary and Bonus Arrangements is incorporated by reference to Exhibit 10.9 of the Corporation's Annual Report filed with the SEC on Form 10-KSB for the year ended December 31, 2004. (SEC File No. 000-33373)

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COMMUNITY CENTRAL BANK CORPORATION
FORM 10-QSB (continued)

10.10	Summary of Current Director Fee Arrangements is incorporated by reference to Exhibit 10.10 of the Corporation's Annual Report filed with the SEC on Form 10-KSB for the year ended December 31, 2004. (SEC File No. 000-33373)
11	Computation of Per Share Earnings
31.1	Rule 13a - 14(a) Certification (Chief Executive Officer)
31.2	Rule 13a - 14(a) Certification (Chief Financial Officer)
32	Rule 1350 Certifications

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in: 0; text-align: center">**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

	Six Months Ended June 30, 2015 (Unaudited)	Six Months Ended June 30, 2014 (Unaudited)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 37,422	$ 18,339
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Discount on Convertible Debt	$ -	$ 112,784
Establishment of Derivative Liability	$ -	$ 126,214
Common Stock Issued for Investor Relations	$ 7,500	$ -
Warrants Issued for Interest Expense	$ 7,327	$ -
Warrants Issued as Deferred Finance Costs	$ -	$ 13,430

See accompanying Notes to Condensed Consolidated Financial Statements

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IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These statements should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014. The operating results and cash flows for the six-month period ended June 30, 2015 are not necessarily indicative of the results that will be achieved for the full fiscal year ending December 31, 2015 or for future periods.

The accompanying condensed consolidated financial statements have been prepared without audit and reflect all adjustments, consisting of normal recurring adjustments, which are, in our opinion, necessary for a fair statement of the financial position and the results of operations for the interim periods. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Estimates are used for, but not limited to, accounting for the allowance for doubtful accounts, impairment costs, depreciation and amortization, sales returns and discounts, warranty costs, uncertain tax positions and the recoverability of deferred tax assets, stock compensation, contingencies, and the fair value of assets and liabilities disclosed. Actual results and outcomes may differ from our estimates and assumptions. The statements have been prepared in accordance with GAAP and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such SEC rules and regulations.

The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

Consolidation

Effective April 30, 2011, we completed our acquisition of Sole Vision Technologies (dba MEGAsys), a company based in Taiwan. We consolidate our financial statements with the financial statements of MEGAsys. All intercompany balances and transactions have been eliminated in consolidation.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Our Audit Report on the Consolidated Financial Statements for the year ended December 31, 2014 contained a going concern qualification. Since inception, we have generated an accumulated deficit from operations of approximately $29.5 million at June 30, 2015 and have used approximately $2.4 million in cash to fund operations through the six months ended June 30, 2015. As a result, a significant risk exists regarding our ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from this uncertainty.

We adopted a multi-step plan to enable us to continue to operate and begin to report operating profits. The highlights of that plan are as follows:

- We developed Sentir®, our cloud-based video management platform, and began executing on our strategy to license its use as a Video Surveillance as a Service (“VSaaS”) offering to partners such as telecommunications companies, Internet Service Providers (“ISPs”), data centers, and cable companies in order to gain access to their existing subscriber bases. Sentir was officially launched in April 2014.

- We introduced the ZEE® line of cloud, plug-and-play cameras. The camera line includes three wireless indoor cameras, one of which is a pan/tilt (“P/T”) camera, and one outdoor camera. We utilize contract manufacturers for our cloud cameras and other cloud-enabled devices. The Sentir-enabled cameras simplify service providers’ VSaaS offering to end users.

- We developed IvedaMobile® – a cloud-hosting service that turns any smartphone or tablet into a mobile, cloud video streaming device.

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IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- We are actively collaborating with certain foreign telecommunications and manufacturing companies to resell our products and services in their respective countries and are actively engaged in such sales processes with other similar companies. We are licensing Sentir and selling the ZEE line of cameras.

- In December 2014, we entered into an agreement (the "Debenture and Warrant Amendment") with the holders of certain debentures (the "2013 Debentures") and certain warrants (the "2013 Warrants"), pursuant to which the holders agreed to cancel the 2013 Debentures and convert them into an aggregate of 3,600,000 shares of our newly issued Series A Preferred Stock. As inducement to enter into the Debenture and Warrant Amendment, we issued to the holders additional warrants to purchase shares of our common stock.

- As of the final closing of a private placement on March 13, 2015, we raised approximately $3.1 million through the sale of Series B Preferred Stock.

- During July 2014 we launched a new website highlighting our licensing business model, which focuses on telecommunications companies, data centers, ISPs, cable companies, and other similar organizations.

- We reduced our U.S.-based segment operating costs by eliminating our direct project-based sales channel and all costs related to project-based sales and operations to focus our activities and resources on licensing Sentir.

- In November 2013, we hired Bob Brilon as our Chief Financial Officer and Executive Vice President of Business Development. Mr. Brilon has strong ties with the investment community and has extensive experience with strategic growth planning and domestic and foreign institutional investors, which have been and will continue to be instrumental to our market expansion, global distribution of our cloud video hosting platform and services, and raising capital to fund our growth. In February 2014, Mr. Brilon was appointed as our President.

Concentrations

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and cash equivalents and trade accounts receivable.

Substantially all cash is deposited in two financial institutions, one in the United States and one in Taiwan. At times, amounts on deposit in the United States may be in excess of the FDIC insurance limit. Deposits in Taiwan financial institutions are insured by CDIC ("Central Deposit Insurance Corporation") with maximum coverage of NTD 3 million. At times, amounts on deposit in Taiwan may be in excess of the CDIC insurance limit.

Accounts receivable are unsecured, and we are at risk to the extent such amount becomes uncollectible. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. U.S.-based segment revenue from two customers represented approximately 31% of total revenue for the six months ended June 30, 2015, and two customers represented approximately 83% of the total U.S.-based segment accounts receivable at June 30, 2015. Taiwan-based segment revenue from two customers represented approximately 72% of total revenue for the six months ended June 30, 2015, and two customers represented approximately 51% of total Taiwan-based segment accounts receivable at June 30, 2015.

IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

Intangible assets consist of trademarks and other intangible assets associated with the purchase price allocation of MEGAsys. Such assets are being amortized over their estimated useful lives ranging from six months to ten years. Other intangible assets are fully amortized at June 30, 2015. Future amortization of trademarks is as follows:

2015	$10,000
2016	20,000
2017	20,000
2018	20,000
Thereafter	46,666
Total	$116,666

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to us as of June 30, 2015 and December 31, 2014. The respective carrying values of certain on-balance-sheet financial instruments approximate their fair values. These financial instruments include cash, accounts receivable, accounts payable, accrued expenses, and amounts due to related parties. Fair values were assumed to approximate carrying values for these financial instruments because either they are short-term in nature and their carrying amounts approximate their fair values or they are receivable or payable on demand.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at the reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, we use the Black-Scholes option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. Our derivative liability relates to the 2013 Warrants issued in connection with the 2013 Debentures (subsequently converted to Series A Preferred Stock on December 9, 2014). These warrants contain a ratchet provision, which allows the exercise price to adjust downward based on certain events.

Segment Information

We conduct operations in various geographic regions. The operations conducted and the customer bases located in the foreign countries are similar to the operations conducted and the customer bases located in the United States. The net revenue and net assets (liabilities) for other significant geographic regions are as follows:

	June 30, 2015	
	Net Revenue	Net Assets (Liabilities)
United States	$148,235	$ 141,230
Republic of China (Taiwan)	$1,153,149	$ (163,063)

Furthermore, due to operations in various geographic locations, we are susceptible to changes in national, regional, and local economic conditions, demographic trends, consumer confidence in the economy, and discretionary spending priorities that may have a material adverse effect on our future operations and results.

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IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We are required to collect certain taxes and fees from customers on behalf of government agencies and remit them back to the applicable governmental agencies on a periodic basis. The taxes and fees are legal assessments to the customer, for which we have a legal obligation to act as a collection agent. Because we do not retain the taxes and fees, we do not include such amounts in revenue. We record a liability when the amounts are collected and relieve the liability when payments are made to the applicable governmental agencies.

We operate two reportable business segments as defined in ASC 280, “Segment Reporting.” We have a U.S.-based segment, Iveda, and a Taiwan-based segment, MEGAsys. Each segment has a chief operating decision maker and management personnel who review their respective segment’s performance as it relates to revenue, operating profit, and operating expenses.

IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Statements of operations for the three and six months ended June 30, 2015 for each of our reporting segments are provided below.

	Three Months Ended June 30, 2015 Iveda	Three Months Ended June 30, 2015 MEGAsys	Condensed Consolidated Total
Revenue	$ 48,912	$ 726,649	$ 775,561
Cost of Revenue	28,562	606,295	634,857
Gross Profit	20,350	120,354	140,704
Depreciation and Amortization	48,067	4,111	52,178
General and Administrative	817,499	98,111	915,610
Gain (Loss) from Operations	(845,216)	18,132	(827,084)
Foreign Currency Gain	3,460	1,223	4,683
Gain on Derivatives	5,659	-	5,659
Loss on Disposal of Assets, Net	(29,454)	-	(29,454)
Interest Income	6,136	1,458	7,594
Interest Expense	(18,818)	(10,076)	(28,894)
Gain (Loss) Before Income Taxes	(878,233)	10,737	(867,496)
Provision for Income Taxes	-	(12,853)	(12,853)
Net Income (Loss)	$ (878,233)	$ (2,116)	$ (880,349)

	Six Months Ended June 30, 2015 Iveda	Six Months Ended June 30, 2015 MEGAsys	Condensed Consolidated Total
Revenue	$ 148,235	$ 1,153,149	$ 1,301,384
Cost of Revenue	129,043	864,509	993,552
Gross Profit	19,192	288,640	307,832
Depreciation and Amortization	101,130	8,172	109,302
General and Administrative	1,658,457	215,967	1,874,424
Gain (Loss) from Operations	(1,740,396)	64,501	(1,675,895)
Foreign Currency Gain	7,715	1,411	9,126
Gain on Derivatives	42,591	-	42,591
Loss on Disposal of Assets, Net	(29,454)	-	(29,454)
Interest Income	12,205	1,472	13,677
Interest Expense	(48,512)	(18,413)	(66,925)
Gain (Loss) Before Income Taxes	(1,755,851)	48,971	(1,706,880)
Provision for Income Taxes	-	(12,853)	(12,853)

Net Income (Loss)	$ (1,755,851)	$ 36,118	$ (1,719,733)

Revenue as shown below represents sales to external customers for each segment. Intercompany revenue is immaterial and has been eliminated.

Additions to long-lived assets as presented in the following table represent capital expenditures.

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IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Inventories and property and equipment for operating segments are regularly reviewed by management and are therefore provided below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue				
United States	$48,912	$318,459	$148,235	$521,769
Republic of China (Taiwan)	726,649	32,803	1,153,149	204,357
	$775,561	$351,262	$1,301,384	$726,126

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating Earnings (Loss)				
United States	$(845,216)	$(1,484,040)	$(1,740,396)	$(2,795,377)
Republic of China (Taiwan)	18,132	(9,649)	64,501	(61,712)
	$(827,084)	$(1,493,689)	$(1,675,895)	$(2,857,089)

	Six Months Ended June 30,	
	2015	2014
Property and Equipment, Net		
United States	$354,218	$544,092
Republic of China (Taiwan)	11,475	40,791
	$365,693	$584,883

	Six Months Ended June 30,	
	2015	2014
Additions to (Deletions from) Long-Lived Assets		
United States	$(3,883)	$198,888
Republic of China (Taiwan)	(1,172)	15,490
	$(5,055)	$214,378

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IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Six Months Ended June 30,	
	2015	2014
Inventory		
United States	$262,880	$376,076
Republic of China (Taiwan)	157,943	149,246
	$420,823	$525,322

	Six Months Ended June 30,	
	2015	2014
Total Assets		
United States	$1,659,937	$1,955,088
Republic of China (Taiwan)	2,542,083	2,133,558
	$4,202,020	$4,088,646

Reclassification

Certain amounts in 2014 may have been reclassified to conform to the 2015 presentation.

New Accounting Standards

There were no new standards recently issued which would have an impact on our operations or disclosures.

NOTE 2 SHORT-TERM DEBT

The short term debt balances were as follows:

June 30, 2015	December 31, 2014
$ 494,073	$ 325,500

Loan from Shanghai Bank at 3.24% interest rate per annum. Due July - December 2015.		
Loan from Hua Nan Bank at 3.26% interest rate per annum. Due November - December 2015.	323,000	315,000
Loan from SinoPac Bank at 3.26% interest rate per annum. Due July 2015.	161,500	315,000
Loans from unrelated individuals in MEGAsys management. Due December 2015	58,140	-
KTV Holding, LLC at 9.5% interest rate per annum. Paid January 26, 2015.	-	75,000
A&A Property Investments, Inc. at 9.5% interest rate per annum. Paid January 26, 2015	-	50,000
Balance at end of period	$ 1,036,713	$ 1,080,500

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IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 EQUITY

Preferred Stock

We are currently authorized to issue up to 100,000,000 shares of preferred stock, par value $0.00001 per share, 10,000,000 shares of which are designated as Series A Preferred Stock and 500 shares of which are designated as Series B Preferred Stock. Our Articles of Incorporation authorize the issuance of shares of preferred stock with designations, rights, and preferences determined from time to time by our Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights which could adversely affect the voting power or other rights of the stockholders of our common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control of our company.

Series A Preferred Stock

We are authorized to issue up to 10,000,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock accrues cumulative dividends at a rate of 9.5% per annum on the original issue price of $1.00 per share. Accrued but unpaid dividends are payable by us, either in cash or in shares of our common stock, upon the occurrence of a Liquidation Event (as defined in our Articles of Incorporation) or upon conversion of the shares into shares of our common stock. In addition, in the event of any liquidation, dissolution, or winding up of our company, the holders of Series A Preferred Stock are entitled to receive distributions of any of the assets of our company prior and in preference to the holders of our common stock, but after distribution of any assets of our company to the holders of our Series B Preferred Stock in an amount equal to the Series B Preferred Stock's original issue price plus any accrued but unpaid dividends.

Each share of Series A Preferred Stock is convertible at the option of the holder, at any time, into shares of our common stock equal to the original issue price divided by an adjusted conversion price of $0.97 per share of Series A Preferred Stock, subject to certain adjustments. On June 30, 2017, all shares of Series A Preferred Stock not already converted will automatically convert into shares of our common stock at the then-applicable conversion price.

The holders of Series A Preferred Stock have the same voting rights as, and vote as a single class with, the holders of our common stock. Each holder of our Series A Preferred Stock is entitled to the number of votes equal to the number of shares of our common stock into which such shares of Series A Preferred Stock may be converted. In addition, in the event we sell, grant, or issue any Common Stock Equivalent (as defined in our Articles of Incorporation) at a price per share that is lower than the then-applicable conversion price for the Series A Preferred Stock, the conversion price for the Series A Preferred Stock will be adjusted to account for the dilutive issuance. If we effectuate a stock split or subdivision of our common stock or our Board of Directors declares a dividend payable in our common stock, the conversion price for the Series A Preferred Stock will be appropriately decreased to protect the Series A Preferred Stock holders from any dilutive effect of the stock split, subdivision, or stock dividend. Similarly, if the number of shares of our common stock outstanding decreases due to a reverse stock split or other combination of the outstanding shares of our common stock, then the applicable conversion price of the Series A Preferred Stock will increase in order to proportionately decrease the number of shares issuable upon conversion**.** Holders of our Series A Preferred Stock have no sinking fund or redemption rights.

Series B Preferred Stock

We are authorized to issue up to 500 shares of Series B Preferred Stock. Each share of Series B Preferred Stock accrues dividends at a rate of 9.5% per annum on the original issue price of $10,000 per share. Dividends on the Series B Preferred Stock accrue daily and compound annually. All accrued but unpaid dividends on the Series B Preferred Stock must be paid, declared, or set aside prior to the declaration of any dividend on any class of stock that is junior in preference to the Series B Preferred Stock. Dividends on the Series B Preferred Stock are paid quarterly, beginning on July 1, 2015 in either cash or shares of our common stock. In addition, all accrued but unpaid dividends are payable by us, either in cash or in shares of our common stock, upon the occurrence of a Liquidation Event (as defined in our Articles of Incorporation) or upon the conversion of the shares into shares of our common stock.

In the event of any liquidation, dissolution, or winding up of our company, the holders of Series B Preferred Stock are entitled to receive distributions of any of the assets of our company equal to 100% of the original issue price plus all accrued but unpaid dividends prior and in preference to the holders of Series A Preferred Stock and holders of our common stock. We also have the option to redeem all, but not less than all, of the Series B Preferred Stock, provided that certain conditions have been met. Should we choose to redeem the outstanding shares of our Series B Preferred Stock, we are required to pay the original purchase price plus all accrued but unpaid dividends. Each share of Series B Preferred Stock is convertible at the option of the holder, at any time, into shares of our common stock equal to the original issue price divided by an initial conversion price of $0.75 per share of Series B Preferred Stock, subject to certain adjustments. On December 31, 2017, all shares of our Series B Preferred Stock not already converted will automatically convert into shares of our common stock at the then-applicable conversion price.

IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The holders of Series B Preferred Stock have no voting rights, except as are expressly provided in our Articles of Incorporation or required by law. Without the approval of at least a majority of the outstanding Series B Preferred Stock, we may not authorize or issue (i) any additional or other shares of capital stock that are of senior rank to the shares of Series B Preferred Stock in respect of the preferences as to dividends, distributions, or payments upon the liquidation, dissolution, and winding up of our company, (ii) any additional or other shares of capital stock that are of equal rank to the shares of Series B Preferred Stock in respect of the preferences as to dividends, distributions, or payments upon the liquidation, dissolution, and winding up of our company, or (iii) any capital stock junior in preference to the Series B Preferred Stock having a maturity date that is prior to the maturity date of the Series B Preferred Stock. Furthermore, if we consummate a Fundamental Transaction (as defined in our Articles of Incorporation) while shares of our Series B Preferred Stock are outstanding, then the holders of those outstanding shares have the right to receive, upon conversion of the Series B Preferred Stock, the same amount and kind of securities, cash, or property as they would have received if they would have been holders of the number of shares of common stock issuable upon conversion in full of all shares of our Series B Preferred Stock immediately prior to the Fundamental Transaction.

In addition, in the event we sell, grant, or issue any Common Stock Equivalent (as defined in our Articles of Incorporation) at a price per share that is lower than the then-applicable conversion price for the Series B Preferred Stock (the “Effective Price”), the conversion price for the Series B Preferred Stock will be adjusted to the Effective Price.

If we effectuate a stock split or subdivision of our common stock or our Board of Directors declares a dividend payable in our common stock, the conversion price for the Series B Preferred Stock will be appropriately decreased to protect the Series B Preferred Stock holders from any dilutive effect of the stock split, subdivision, or stock dividend. Similarly, if the number of shares of our common stock outstanding decreases due to a reverse stock split or other combination of the outstanding shares of our common stock, then the applicable conversion price of the Series B Preferred Stock will increase in order to proportionately decrease the number of shares issuable upon conversion. Holders of our Series B Preferred Stock have no sinking fund rights.

Common Stock

We are authorized to issue up to 100,000,000 shares of common stock, par value $0.00001 per share. All outstanding shares of our common stock are of the same class and have equal rights and attributes. The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders of our company. Our common stock does not have cumulative voting rights. Persons who hold a majority of the outstanding shares of our common stock entitled to vote on the election of directors can elect all of the directors who are eligible for election. Holders of our common stock are entitled to share equally in dividends, if any, as may be declared from time to time by our Board of Directors. In the event of liquidation, dissolution, or winding up of our company, subject to the preferential liquidation rights of any series of preferred stock that we may from time to time designate, the holders of our common stock are entitled to share ratably in all of our assets remaining after payment of all liabilities and preferential liquidation rights. Holders of our common stock have no conversion, exchange, sinking fund, redemption, or appraisal rights (other than such as may be determined by the Board of Directors in its sole discretion) and have no preemptive rights to subscribe for any of our securities.

During the six months ended June 30, 2015 we issued 10,000 shares of common stock in partial payment for investor relations services.

Notes Receivable from Stockholder

In June 2014, an advisor/stockholder of our company exercised warrants to purchase 200,000 and 300,000 shares of common stock, granted at an exercise price of $1.02 and $1.00 per share, respectively, in exchange for 5% promissory notes totaling $504,000 due at the extended maturity date of June 30, 2017. Early payments have been received and $11,806 has been applied to the principal.

IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 STOCK OPTIONS AND WARRANTS

Stock Options

We have granted non-qualified stock options to employees, contractors and directors as equity compensation and to debenture holders for the extension of debenture maturity dates. All non-qualified options are generally issued with an exercise price no less than the fair market value of the common stock on the date of the grant as determined by our Board of Directors. Options may be exercised up to ten years following the date of the grant, with vesting schedules determined by us upon grant. Vesting schedules vary by grant, with some fully vesting immediately upon grant and others vesting ratably over a period of time up to four years. Standard vested options may be exercised up to three months following the date of termination of the relationship with the employee, contractor or director unless alternate terms are specified at grant. The fair values of options are determined using the Black-Scholes option-pricing model. The estimated fair value of options is recognized as expense on the straight-line basis over the options' vesting periods.

Stock option transactions during the six months ended June 30, 2015 were as follows:

	Six months ended June 30, 2015	
	Shares	Weighted-Average Exercise Price
Outstanding at Beginning of Year	5,953,227	$ 1.03
Granted	291,000	0.77
Exercised	-	-
Forfeited or Canceled	(161,208)	1.41
Outstanding at End of Period	6,083,019	1.01
Options Exercisable at End of Period	6,017,894	$ 1.02
Weighted-Average Fair Value of Options Granted During the Period	$ 0.77	

Information with respect to stock options outstanding and exercisable as of June 30, 2015 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at June 30, 2015	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at June 30, 2015	Weighted-Average Exercise Price
$0.10 - $1.75	6,083,019	7	$ 1.01	6,017,894	$ 1.02

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IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for options granted:

	2015	
Expected Life	6.25 yrs	
Dividend Yield	0	%
Expected Volatility	18.35	%
Risk-Free Interest Rate	1.99	%

Expected volatility for 2015 and 2014 was estimated by using the Dow Jones U.S. Industry Indices sector classification methodology for industries similar to that in which we operate. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the grant date. The expected life of the options is based on the actual expiration date of the grant.

Warrants

We have periodically issued warrants to purchase shares of common stock as equity compensation to officers, directors, employees, and consultants. We have also issued warrants as incentive in connection with the purchase of debt and equity securities.

As of June 30, 2015, warrants to purchase 7,883,303 shares of common stock were outstanding, all of which were issued either as equity compensation or in connection with financing transactions. Vesting schedules vary by grant, with some fully vesting immediately upon grant and others vesting ratably over a period of time up to four years. The warrants expire during a range from two to ten years following the date of the grant. The fair value of warrants is determined using the Black-Scholes option-pricing model. The estimated fair value of warrants is recognized as expense on the straight-line basis over the warrants’ vesting periods.

Warrant transactions during the six months ended June 30, 2015 were as follows:

Outstanding at December 31, 2014	3,749,550
Granted	4,369,162
Exercised	-
Forfeited or Canceled	(235,409)
Warrants Redeemable at June 30, 2015	7,883,303

NOTE 5 RELATED PARTY TRANSACTIONS

On December 30, 2014, we entered into a debenture agreement with Joe Farnsworth, a member of our Board of Directors, for $10,000, at 9.5% interest per annum. We paid the principal and accrued interest on the Farnsworth debenture in full on January 26, 2015.

On December 9, 2014, we entered into a debenture agreement with Robert Gillen, a member of our Board of Directors, for $100,000, at 9.5% interest per annum and a warrant to purchase 25,000 shares of our common stock at an exercise price of $1.00 per share, with interest and principal payable on January 5, 2015. On January 5, 2015, Mr. Gillen received another warrant to purchase 25,000 shares of our common stock at an exercise price of $1.00 per share. We paid the principal and accrued interest on the Gillen debenture in full on February 4, 2015.

On October 14, 2014, we entered into a debenture agreement with Mr. Farnsworth, a member of our Board of Directors, for $35,000, at 9.5% interest per annum. We paid the principal and accrued interest on the Farnsworth debenture in full on February 4, 2015.

On September 10, 2014, we entered into a debenture agreement with Alex Kuo, a member of the Board of Directors, for $30,000, through his wife, Li-Min Hsu, at 9.5% interest per annum with interest and principal payable on the extended maturity date of December 31, 2015. As consideration for the extension of the debenture, we granted Mrs. Hsu options to purchase 3,000 shares of our common stock with an exercise price of $0.77 per share.

On September 8, 2014, we entered into a debenture agreement with Mr. Kuo’s wife, Li-Min Hsu, for $100,000, at 9.5% interest per annum with interest and principal payable on the extended maturity date of December 31, 2015. As consideration for the extension of the debenture, we granted Mrs. Hsu options to purchase 10,000 shares of our common stock with an exercise price of $0.77 per share.

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On August 28, 2014, we entered into a debenture agreement with Gregory Omi, a member of the Board of Directors of the Company, for $200,000, at 9.5% interest per annum with interest and principal payable on the extended maturity date of December 31, 2015. As consideration for the extension of the debenture, we granted Mr. Omi options to purchase 20,000 shares of our common stock with an exercise price of $0.77 per share.

On November 19, 2012, we entered into a convertible debenture agreement with Mr. Gillen, a member of our Board of Directors, for $100,000, under his company Squirrel-Away, LLC. Under the original terms of the agreement, interest is payable at 10% per annum and became due on December 19, 2014. The debenture was extended to January 5, 2015. On June 20, 2013, interest of $5,000 was paid on the debenture. As consideration for agreeing to extend the maturity date of the debenture to December 31, 2015, we granted Mr. Gillen options to purchase 10,000 shares of our common stock at an exercise price of $0.77 per share.

NOTE 6 EARNINGS (LOSS) PER SHARE

The following table provides a reconciliation of the numerators and denominators reflected in the basic and diluted earnings per share computations, as required by ASC No. 260, “Earnings per Share.”

Basic earnings per share (“EPS”) is computed by dividing reported earnings available to stockholders by the weighted average shares outstanding. We had net losses for the years ended December 31, 2014 and 2013 and the effect of including dilutive securities in the earnings per common share would have been anti-dilutive for the purpose of calculating EPS. Accordingly, all options, warrants, and shares potentially convertible into common shares were excluded from the calculation of diluted earnings per share for the quarters ended June 30, 2015 and 2014 and six months ended June 30, 2015 and 2014. Total common stock equivalents that could be convertible into common stock were 22,127,032 and 11,807,271 for June 30, 2015 and 2014, respectively.

Basic EPS	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net Loss	$ (880,349)	$ (1,588,767)	$ (1,719,733)	$ (2,994,334)
Weighted Average Shares	27,380,701	26,849,456	27,344,729	26,814,103
Basic and Diluted Loss Per Share	$ (0.03)	$ (0.06)	$ (0.06)	$ (0.11)

NOTE 7 SUBSEQUENT EVENTS

We have evaluated subsequent events from the balance sheet date through the date the condensed consolidated financial statements were issued and determined that there are no additional items to disclose.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and associated notes appearing elsewhere in this Quarterly Report Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward looking statements that involve risks and uncertainties. All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including statements regarding future events, our future financial performance, business strategy, and plans and objectives for future operations, are forward-looking statements. In many cases, you can identify forward-looking statements by terminology such as “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “ “predicts,” “should,” or “will” or the negative of these terms or other comparable terminology. Although we do not make forward looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors, including the risks outlined under “Risk Factors” or elsewhere in this Quarterly Report on Form 10-Q or discussed in our Annual Report on Form 10-K for the year ended December 31, 2014, which may cause our or our industry's actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time, and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our statements to actual results or changed expectations.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Conditions and Results of Operations is based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of our critical accounting policies and related judgments and estimates that affect the preparation of our financial statements is set forth in Item 7, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” of our Annual Report on Form 10-K for the year ended December 31, 2014. Such policies are unchanged.

Overview

We developed Sentir, a Software as a Service (“SaaS”) video surveillance management platform with big data storage technology for flexible and scalable distribution of hosted video surveillance services to end users. Sentir has an enterprise-class video hosting architecture, utilizing robust data centers. Sentir is ideal for service providers such as telecommunications companies, Internet service providers (“ISPs”), data centers, and cable companies with an existing physical infrastructure that are looking to add video surveillance services to their customer offerings. Sentir allows scalability, flexibility, and centralized video management, access, and storage. The advantage this platform offers end users is that there is no need to buy and maintain video surveillance software and hardware. This platform enables real-time viewing and recorded playback of video on computers and mobile devices with push notifications and alerts. Our expertise allows us to enable large service providers to offer cloud-based plug-and-play video surveillance using our Sentir platform.

Historically, we sold and installed video surveillance equipment, primarily for security purposes and secondarily for operational efficiencies and marketing. We also provided video hosting, in-vehicle streaming video, archiving, and real-time remote surveillance services to a variety of businesses and organizations. Our principal sources of revenue were derived from monthly fees from video hosting and real-time surveillance services and one-time fees for equipment sales and installation.

In 2014, we shifted our revenue model from direct project-based sales to licensing Sentir and selling Sentir-enabled plug-and-play cloud cameras to service providers such as telecommunications companies, ISPs, data centers, and cable companies already providing services to an existing customer base. Partnering with service providers that have an existing loyal subscriber base allows us to focus on our customers, the service providers, and leverage their end-user infrastructure to sell, bill, and provide customer service for the Sentir cloud video surveillance offering. This business model provides dual revenue streams – one from camera sales to the service providers and the other from monthly Sentir licensing fees on a per-camera activation basis.

In April, 2011, we completed our acquisition of MEGAsys, a company founded in 1998 by a group of sales and research and development professionals from Taiwan Panasonic Company. MEGAsys, our subsidiary in Taiwan, specializes in deploying new, and integrating existing, video surveillance systems for airports, commercial buildings, government customers, data centers, shopping centers, hotels, banks, and Safe City initiatives in Taiwan and other neighboring countries. MEGAsys combines security surveillance products, software, and services to provide integrated security solutions to the end user. Through MEGAsys, we have access not only to Asian markets but also to Asian manufacturers and engineering expertise. MEGAsys is our research and development arm, working with a team of developers and managing our relationship with the Industrial Technology Research Institute ("ITRI") in Taiwan. MEGAsys also houses the application engineering team that supports Sentir implementation for our service provider customers in Asia. The acquisition of MEGAsys provided the following benefits to our business:

- An established presence and credibility in Asia and access to the Asian market.
- Relationships in Asia for cost-effective research and development of new product offerings and securing the best pricing for end user devices.
- Sourcing of products directly using MEGAsys's product sourcing expertise to enhance our custom integration capabilities.
- Cost reductions for infrastructure equipment through direct OEM relationships.
- Enhancements to the global distribution potential for our products and services.

In April 2009, the Department of Homeland Security ("DHS") approved us as a Qualified Anti-Terrorism Technology provider under a formal SAFETY Act Designation. The designation gives us, our partners, and our customers certain liability protection. We became the first, and currently remain the only, company to offer real-time Internet Protocol ("IP") video hosting and remote surveillance services with a SAFETY Act Designation. Our SAFETY Act Designation was renewed in October 2014.

In November 2012, we signed a cooperation agreement with ITRI, a research and development organization based in Taiwan. Together with ITRI, we have developed cloud-video services. Pursuant to the cooperation agreement, we received the right to license some of ITRI's patents that were used in the development. We also have exclusive rights to license the products and services we develop in cooperation with ITRI.

In June and August 2014, in collaboration with Filcomserve, our exclusive distributor in the Philippines, we shipped our ZEE cloud plug-and-play cameras for delivery to the Philippine Long Distance Telephone Company ("PLDT") for distribution to its customers with a cloud video surveillance service offering, utilizing our Sentir platform. In February

2015, we received from Filcomserve a follow-on order to deliver 10,000 of our ZEE cloud plug-and-play cameras. The cameras will be delivered to PLDT, Filcomserve's largest customer. In addition to the $1.3 million of revenue to be generated by the February 2015 purchase order of our ZEE cameras, we will receive a monthly licensing fee for each camera activated on the Sentir platform.

In December 2014, we entered into a Framework Agreement with Vietnam Posts and Telecommunications Group ("VNPT"), the largest telecommunications company in Vietnam, to install Sentir at its data centers and conduct technical testing for mass distribution of our ZEE cameras to its existing customer base.

New Accounting Standards

There were no new standards recently issued which would have an impact on our operations or disclosures.

Results of Operations

Net Revenue. We recorded net consolidated revenue of $775,561 for the three months ended June 30, 2015, compared to $351,262 for the three months ended June 30, 2014, an increase of $424,299, or 121%. In the three months ended June 30, 2015, our recurring service revenue was $46,911, or 6% of net consolidated revenue, and our equipment sales and installation revenue was $726,695, or 94% of net consolidated revenue, compared to recurring service revenue of $143,837, or 41% of net consolidated revenue, and equipment sales and installation revenue of $191,705, or 55% of net consolidated revenue, for the same period in 2014. Our U.S.-based segment saw a decrease of $269,547 in net consolidated revenue during the three months ended June 30, 2015, while our Taiwan-based segment revenue increased by $693,846 during the same period. The decrease in U.S.-based segment revenue was due to the transition from direct project-based sales to our new business model of licensing Sentir and selling Sentir-enabled plug-and-play cloud cameras to service providers such as telecommunications companies, ISPs, data centers, and cable companies. In addition, we entered into an assignment agreement for the IvedaSentry monitoring portion of our business, which includes a 24-month revenue sharing arrangement. The increase in Taiwan-based segment revenue was primarily due to progress on long-term contracts.

We recorded net consolidated revenue of $1.3 million for the six months ended June 30, 2015, compared to $726,126 for the six months ended June 30, 2014, an increase of $575,258, or 79%. In the six months ended June 30, 2015, our recurring service revenue was $145,251, or 11% of revenue, and our equipment sales and installation revenue was $1.1 million, or 88% of revenue, compared to recurring service revenue of $302,638, or 42% of revenue, and equipment sales and installation revenue of $402,016, or 55% of revenue, for the same period in 2014. The decrease in U.S.-based segment revenue was due to transition from direct project-based sales to our new business model of licensing Sentir and selling Sentir-enabled plug-and-play cloud cameras to service providers such as telecommunications companies, ISPs, data centers, and cable companies. In addition, we entered into an assignment agreement for the IvedaSentry monitoring portion of our business, which includes a 24-month revenue sharing arrangement. The increase in Taiwan-based segment revenue was due to continued progress on long-term contracts during the six months ended June 30, 2015.

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Cost of Revenue. Total cost of revenue was $634,857 (82% of revenue, representing a gross margin of 18%) for the three months ended June 30, 2015, compared to $313,867 (89% of revenue, representing a gross margin of 11%) for same period in 2014, an increase of $320,990, or 102%. The U.S.-based segment decrease in cost of revenue and increase in gross margin corresponds with the profit-sharing arrangement pursuant to the IvedaSentry monitoring assignment. The Taiwan-based segment increased cost of revenue and gross margin were primarily due to progress on long-term contracts.

Total cost of revenue was $993,552 (76% of revenue, representing gross margin of 24%) for the six months ended June 30, 2015, compared to $524,401 (72% of revenue, representing a gross margin of 28%) for the six months ended June 30, 2014, an increase of $469,151, or 89%. The U.S.-based segment decrease in cost of revenue corresponds with the profit-sharing arrangement pursuant to the IvedaSentry monitoring assignment. The Taiwan-based segment increased cost of revenue and gross margin were primarily due to progress on long-term contracts during the six months ended June 30, 2015.

Operating Expenses. Operating expenses were $967,788 for the three months ended June 30, 2015, compared to $1.5 million for the same period in 2014, a decrease of $563,296, or 37%. The decrease in operating expenses was primarily related to a continued decrease in personnel, direct project-based marketing and sales expenses, consulting, and research and development expenses.

Operating expenses were $2.0 million for the six months ended June 30, 2015, compared to $3.1 million for the six months ended June 30, 2014, a decrease of $1.0 million, or 35%. The decrease in operating expenses in 2015 over 2014 was primarily related to a continued decrease in personnel, direct project-based marketing and sales expenses, consulting, and research and development expenses.

Loss from Operations. As a result of the increase in revenue and the decrease in operating expenses, loss from operations decreased to $827,084 for the three months ended June 30, 2015, compared to $1.5 million for the same period in 2014, a decrease in loss of $666,605, or 45%.

As a result of the overall increase in revenue and the decrease in operating expenses, loss from operations decreased to $1.7 million for the six months ended June 30, 2015, compared to $2.9 million for the six months ended June 30, 2014, a decrease in loss of $1.2 million, or 41%.

Other Expense-Net. Other expense-net was $40,412 for the three months ended June 30, 2015, compared to $79,199 for the same period in 2014, a decrease of $38,787, or 49%. The change is primarily due to the decrease of gain recorded on derivative liability, interest expense on the converted debentures and loss on disposed assets.

Other expense-net was $30,985 for the six months ended June 30, 2015, compared to $121,366 for the six months ended June 30, 2014, a decrease of $90,381, or 74%. The reduction is primarily related to interest expense on the converted debentures and loss on disposed assets.

Net Loss. Net loss was $880,349 for the three months ended June 30, 2015, compared to $1.6 million for the same period in 2014. The decrease of $708,418, or 45%, was primarily due to a decrease in U.S.-based segment operating expenses, including personnel, direct project-based marketing and sales expenses, consulting, and research and development expenses in 2015 and an increase in Taiwan-based segment revenue.

The decrease of $1.3 million, or 43%, in the net loss to $1.7 million for the six months ended June 30, 2015, from $3.0 million for the six months ended June 30, 2014, was primarily the effect of an increase in gross profit and a decrease in operating expenses.

Liquidity and Capital Resources

As of June 30, 2015, we had cash and cash equivalents of $609,919 in our U.S.-based segment and $74,635 in our Taiwan-based segment, compared to $26,661 in our U.S.-based segment and $61,239 in our Taiwan-based segment as of December 31, 2014. This increase in our cash and cash equivalents is primarily a result of the Series B Preferred Stock financing. There are no legal or economic factors that materially impact our ability to transfer funds between our U.S.-based and Taiwan-based segments.

Net cash used in operating activities during the six months ended June 30, 2015 was $2.4 million compared to $3.2 million during the six months ended June 30, 2014. Net cash used in operating activities for the six months ended June 30, 2015 consisted primarily of the net loss offset by approximately $84,000 in non-cash stock option compensation. Cash used in operating activities for the six months ended June 30, 2014 consisted primarily of the net loss offset by approximately $195,000 in non-cash stock option compensation.

Net cash provided by investing activities for the six months ended June 30, 2015 was $298. Net cash used in investing activities during the six months ended June 30, 2014 was $214,378.

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Net cash provided by financing activities for the six months ended June 30, 2015 was $3.0 million compared with $3.6 million during the six months ended June 30, 2014. Net cash provided by financing activities in 2015 consisted primarily of proceeds from the sale of Series B Preferred Stock, short-term debt proceeds, and related party short-term debt proceeds. Net cash provided by financing activities in 2014 consisted primarily of long-term debt proceeds, short-term debt proceeds, and related party short-term debt proceeds.

We have experienced significant operating losses since our inception. At June 30, 2015, we had approximately $22.0 million in net operating loss carryforwards available for federal income tax purposes, which will begin to expire in 2025. We did not recognize any benefit from the federal net operating loss carryforwards in 2014. We also had approximately $18.0 million in state net operating loss carryforwards, which began to expire in 2014.

We have limited liquidity and have not yet established a stabilized source of revenue sufficient to cover operating costs, based on our current estimated burn rate. Accordingly, our continuation as a going concern is dependent upon our ability to generate greater revenue through increased sales and/or our ability to raise additional funds through the capital markets. During the year ended December 31, 2014, we engaged an investment bank to assist in evaluating potential equity financing opportunities. The investment bank became the exclusive placement agent for the private placement of Series B Preferred Stock. As of June 30, 2015, we raised an aggregate of $3.1 million through the sale of Series B Preferred Stock**.** No assurance can be given that we will be successful in future financing and revenue-generating efforts. Even if funding is available, we cannot assure investors that it will be available on terms that are favorable to our existing stockholders. Additional funding may be achieved through the issuance of equity or debt securities that could be significantly dilutive to the percentage ownership of our existing stockholders. In addition, these newly issued securities may have rights, preferences, or privileges senior to those of our existing stockholders. Accordingly, such a financing transaction could materially and adversely impact the price of our common stock.

Substantially all of our cash is deposited in two financial institutions, one in the United States and one in Taiwan. At times, amounts on deposit in the United States may be in excess of the FDIC insurance limit. Deposits in Taiwan financial institutions are insured by CDIC (“Central Deposit Insurance Corporation”) with maximum coverage of NTD 3 million. At times, amounts on deposit in Taiwan may be in excess of the CDIC insurance limit.

Our accounts receivable are unsecured, and we are at risk to the extent such amounts become uncollectible. Although we perform periodic evaluations of our customers’ credit and financial condition, we generally do not require collateral in exchange for our products and services provided on credit. U.S.-based segment revenue from three customers represented approximately 63% of total revenue for the quarter ended June 30, 2015, and U.S.-based segment accounts receivable from two customers represented approximately 83% of total U.S.-based segment accounts receivable at June 30, 2015. Taiwan-based segment revenue from three customers represented approximately 83% of total revenue for the quarter ended June 30, 2015, and Taiwan-based segment accounts receivable from two customers represented approximately 51% of total Taiwan-based segment accounts receivable at June 30, 2015. No other customers represented greater than 10% of total revenue in the quarter ended June 30, 2015.

We provide an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Payment terms for our U.S.-based segment require prepayment for our ZEE cameras before they are shipped and monthly Sentir licensing fees, which are due in advance on the first day of each month. For our U.S.-based segment, accounts receivable that are more than 120 days past due are considered delinquent. Payment terms for our Taiwan-based segment vary based on our agreements with our customers. Generally, we receive payment for our products and services within one year of commencing the project, except that we retain 5% of the total payment amount and release such amount one year after the completion of the project. Although our Taiwan-based segment had 34% of gross accounts receivables aged over 180 days at June 30, 2015, we provide an allowance for doubtful accounts for any receivables that will not be paid within one year, which excludes such retained amounts. For our U.S.-based segment, we set up doubtful accounts receivable allowances of $0 and $2,736 for the quarters ended June 30, 2015 and 2014, respectively. For our Taiwan-based segment, we set up doubtful accounts receivable allowances of $351,192 and $468,030 for the quarters ended June 30, 2015 and 2014, respectively. We deem the rest of our accounts receivable to be collectible based on certain factors, including the nature of the customer contracts and past experience with similar customers. Delinquent receivables are written off based on individual credit valuation and specific circumstances of the customer, and we generally do not charge interest on past due receivables.

Effects of Inflation

For the periods for which financial information is presented, we do not believe that the current levels of inflation in the United States have had a significant impact on our operations. Likewise, we do not believe that the current levels of inflation in Taiwan have had a significant impact on the operations of MEGAsys.

Off Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt, and we have not entered into any synthetic leases. We are, therefore, not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, as of June 30, 2015, concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act was recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

In December 2013, we hired a new Chief Financial Officer who has experience in SEC reporting and disclosures. We now have two employees knowledgeable in SEC accounting and reporting. We have plans to hire additional financial personnel and to implement additional controls and processes involving both of our financial personnel in order to ensure all transactions are accounted for and disclosed in an accurate and timely manner. There have not been any other changes in our internal control over financial reporting identified by management’s evaluation pursuant to Rule 13a-15(d) or 15d-15(d) of the Exchange Act during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our company have been or will be prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or Board override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Identified Material Weakness

As of June 30, 2015, we need to hire additional employees at MEGAsys that are knowledgeable in SEC accounting and reporting. Increased staffing at the subsidiary level will provide daily oversight of MEGAsys’s operations and minimize the likelihood of any material error in reporting the subsidiary’s results. Action plans are in place to address this staffing need during 2015.

Management's Remediation Initiatives

As our resources allow, we plan to add financial personnel at the subsidiary level to properly provide accurate and timely financial reporting.

Segregation of Duties

As of June 30, 2015, we had two employees knowledgeable in SEC accounting and reporting. Our management has put in place policies and procedures designed, to the extent possible, to segregate the duties of initiating transactions, maintaining custody over assets, and recording transactions. Due to our size and limited resources, segregation of all conflicting duties may not always be possible and may not be economically feasible.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We may be subject to legal proceedings in the ordinary course of business. As of the date of this Quarterly Report on Form 10-Q, we are not aware of any legal proceedings to which we are a party that we believe could have a material adverse effect on us.

ITEM 1A. RISK FACTORS.

Not applicable.

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

Effective April 1, 2015, we entered into an agreement with Hayden IR to engage the company as our investor relations firm. In exchange for $7,500 worth of services, we issued to Hayden IR 10,000 shares of common stock. The issuance was effected pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 3. DEFAULT UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit	Description
31.1	Certificate of Principal Executive Officer Pursuant to Exchange Act Rule 15d-14(a)
31.2	Certificate of Principal Financial Officer Pursuant to Exchange Act Rule 15d-14(a)
32.1	Certificate of Principal Executive Officer Pursuant to Section 1350
32.2	Certificate of Principal Financial Officer Pursuant to Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

IVEDA SOLUTIONS, INC.

Date: August 14, 2015 */s/ David Ly*
David Ly
Chief Executive Officer and Chairman (Principal Executive Officer)

/s/ Robert J. Brilon
Robert J. Brilon
President and Chief Financial Officer (Principal Financial and Accounting Officer)

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Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO

EXCHANGE ACT RULE 13a-14(a) or RULE 15d-14(a)

(AUTHORIZED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, David Ly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Iveda Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2015

/s/ David Ly
David Ly
Chief Executive Officer and Chairman
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

EXCHANGE ACT RULE 13a-14(a) or RULE 15d-14(a)

(AUTHORIZED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Robert J. Brilon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Iveda Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2015

/s/ Robert J. Brilon
Robert J. Brilon
President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. § 1350

(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, David Ly, Chief Executive Officer (principal executive officer) of Iveda Solutions, Inc. (the “Registrant”), certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 Chief Executive Officer and Chairman of the Sarbanes-Oxley Act of 2002, that, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2015 of the Registrant (the “Report”):

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: August 14, 2015

/s/ David Ly
David Ly
Chief Executive Officer and Chairman
(Principal Executive Officer)

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Iveda Solutions, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. §1350

(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Robert J. Brilon, President and Chief Financial Officer (principal financial officer) of Iveda Solutions, Inc. (the "Registrant"), certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2015 of the Registrant (the "Report"):

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: August 14, 2015

/s/ Robert J. Brilon
Robert J. Brilon
President and Chief Financial Officer (Principal Financial and Accounting Officer)

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Iveda Solutions, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.