

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004

Form 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 000-26455

ISECURETRAC CORP.

(Exact name of registrant as specified in its charter)

DELAWARE

87-0347787

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

5078 S. 111th Street

OMAHA, NEBRASKA 68137

(Address of principal executive offices, Zip Code)

(402) 537-0022

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

The number of shares of issuer's common stock outstanding as of July 21, 2008 was 10,788,312.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

iSECUREtrac Corp. and SUBSIDIARIES **CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	June 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents (see Note 9)	\$ 706,242	\$ 3,442,712
Accounts receivable, net of allowance for doubtful accounts of \$325,781 in 2008 and \$292,669 in 2007	2,163,397	1,941,902
Inventories	193,057	135,376
Prepaid expenses and other	63,622	92,750
Total current assets	3,126,317	5,612,740
Leasehold improvements and equipment, net of accumulated depreciation of \$8,164,085 in 2008 and \$7,041,272 in 2007	4,810,561	3,875,728
Intangibles, net of accumulated amortization of \$871,147 in 2008 and \$850,166 in 2007	40,375	61,356
Goodwill	2,302,179	2,302,179
Other assets	73,889	88,425
Total assets	\$ 10,353,321	\$ 11,940,428
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Current Liabilities		
Accounts payable	\$ 458,344	\$ 1,069,577
Accrued expenses	585,458	609,083
Current maturities of long-term debt	1,072,243	622,340
Deferred revenues & gain on sale-leaseback transactions	291,245	314,090
Accrued interest payable	414,093	30,513
Total current liabilities	2,821,383	2,645,603
Long-term debt, less current maturities	13,058,585	12,381,598
Redeemable convertible Series C preferred stock	12,492,925	11,882,545
Stockholders' (deficit)		
Common stock	10,788	10,779
Additional paid-in capital	55,225,412	55,109,333
Accumulated deficit	(73,255,773)	(70,089,430)
Total stockholders' (deficit)	(18,019,572)	(14,969,318)
Total liabilities and stockholders' (deficit)	\$ 10,353,321	\$ 11,940,428

See Notes to Consolidated Financial Statements (unaudited).

iSECUREtrac Corp. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Revenues:				
Equipment leasing	\$ 2,239,019	\$ 2,154,375	\$ 4,418,596	\$ 4,088,413
Administrative, field & support service revenues	86,700	-	161,153	
Equipment sales	23,958	20,795	46,199	77,003
Other revenues	6,004	30,459	218,852	149,969
Gain on related party sale-leaseback transactions	-	44,844	13,191	89,706
Total revenues	2,355,681	2,250,473	4,857,992	4,405,091
Operating expenses:				
Cost of revenues	948,121	893,685	2,036,015	1,754,684
Research and development	328,747	413,115	668,558	886,224
Sales, general and administrative	2,046,532	2,228,738	4,298,335	4,295,965
Total operating expenses	3,323,400	3,535,538	7,002,908	6,936,873
Operating loss	(967,719)	(1,285,065)	(2,144,916)	(2,531,782)
Other income (expense):				
Interest income	4,843	33,177	24,067	79,652
Interest expense	(268,388)	(145,504)	(533,372)	(298,030)
Total other income (expense)	(263,545)	(112,327)	(509,305)	(218,378)
Loss before provision for income taxes	(1,231,264)	(1,397,392)	(2,654,220)	(2,750,160)
Provision for income taxes	-	-	-	-
Net loss	\$ (1,231,264)	\$ (1,397,392)	\$ (2,654,220)	\$ (2,750,160)
Preferred stock dividends and accretion	(305,190)	(286,224)	(610,380)	(569,841)
Net loss available to common stockholders	\$ (1,536,454)	\$ (1,683,616)	\$ (3,264,601)	\$ (3,320,001)
Basic and diluted loss per common share	\$ (0.14)	\$ (0.16)	\$ (0.30)	\$ (0.31)
Weighted average shares of common stock outstanding	10,785,534	10,775,687	10,783,583	10,774,681

See Notes to Consolidated Financial Statements (unaudited).

iSECUREtrac Corp. AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' (DEFICIT)
For the Six Months Ended June 30, 2008
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid -in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2007	10,779,680	\$ 10,779	\$ 55,109,333	\$ (70,089,430)	\$ (14,969,318)
Shares issued for director's fees	8,632	9	3,991	-	4,000
Stock based compensation	-	-	210,347	-	210,347
Series C preferred stock dividends	-	-	-	(512,122)	(512,122)
Accretion to redemption value of preferred stock	-	-	(98,259)	-	(98,259)
Net loss	-	-	-	(2,654,220)	(2,654,220)
Balance, June 30, 2008	10,788,312	\$ 10,788	\$ 55,225,412	\$ (73,255,773)	\$ (18,019,572)

See Notes to Consolidated Financial Statements (unaudited).

iSECUREtrac CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2008 and 2007
(unaudited)

	2008	2007
Cash Flows From Operating Activities		
Net loss	\$ (2,654,220)	\$ (2,750,160)
Depreciation and amortization	1,143,794	913,111
Stock based compensation	214,347	164,238
(Increase) decrease in accounts receivable	(221,494)	264,212
(Increase) in inventories	(57,681)	(35,406)
Decrease in prepaid expenses	29,129	10,077
Increase in accounts payable	(611,233)	(330,786)
(Decrease) in accrued expenses	(23,625)	62,031
(Decrease) in deferred revenues and gain on sale - leaseback transactions	(22,845)	(78,895)
Increase in accrued interest payable	383,580	208,274
Net cash (used in) operating activities	(1,820,250)	(1,573,304)
Cash Flows From Investing Activities		
Purchases of leasehold improvements and equipment	(2,057,647)	(263,259)
(Increase) in other assets	14,537	(3,624)
Net cash (used in) investing activities	(2,043,111)	(266,883)
Cash Flows From Financing Activities		
Principal proceeds from long-term debt	1,600,000	-
Principal payments on long-term debt	(473,109)	(474,988)
Net cash provided by (used in) financing activities	1,126,891	(474,988)
(Decrease) in cash	(2,736,470)	(2,315,175)
Cash at beginning of period	3,442,712	4,341,685
Cash at end of period	\$ 706,242	\$ 2,026,510
Supplemental Disclosure of Cash Payments for		
Interest	149,792	89,756

See Notes to Consolidated Financial Statements (unaudited).

iSECUREtrac CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. General

The consolidated balance sheet of iSECUREtrac Corp. (“iSECUREtrac”, or the “Company”) at December 31, 2007, has been taken from audited consolidated financial statements at that date. The condensed consolidated financial statements for the three and six months ended June 30, 2008 and June 30, 2007 are unaudited and reflect all normal and recurring accruals and adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, operating results and cash flows for the interim periods presented in this quarterly report. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, together with management’s discussion and analysis of financial condition and results of operations, contained in our Annual Report on Form 10-KSB for the year ended December 31, 2007. The results of operations and cash flows for the three and six months ended June 30, 2008 are not necessarily indicative of the results for the entire fiscal year ending December 31, 2008. Where appropriate, items of an insignificant nature within the condensed consolidated financial statements have been reclassified from the previous periods’ presentation.

The Company believes that its current working capital, combined with the expected amounts available through lease financing for its monitoring equipment described in notes 5 and 9, are sufficient to meet its liquidity needs through 2008. In the early part of 2009, depending on the results of operations for 2008, it is probable the Company will need additional equity or debt financing to have sufficient capital to satisfy liquidity needs in 2009. The Company does not have any irrevocable commitments to provide any such additional capital at this time and there is no assurance that such additional equity or debt financing will be available. However, the Company has begun discussions with a major shareholder regarding additional debt financing with the intention of having an agreement in place during the 4th Quarter of 2008. If the Company is unable to obtain additional capital, it will need to take other steps, including imposition of significant cost reductions, in order to maintain operations.

Note 2. Common Stock Options and Warrants

The Company may issue stock options and other types of equity-based compensation under its 2006 Omnibus Equity Incentive Plan (the “2006 Plan”) which was implemented on May 31, 2006. This is the only plan under which the Company may now issue additional equity-base compensation. The Company also has outstanding stock options that were issued under its 2001 Omnibus Equity Incentive Plan (the “2001 Plan”) and which were issued under employment agreements with executive officers.

During the three and six months ended June 30, 2008, the Company granted options to purchase a total of 87,500 and 561,000 shares of common stock to eleven and sixty-eight employees, respectively, pursuant to the 2006 Plan. During the three and six months ended June 30, 2008, 39,156 and 70,200 options issued under the 2006 Plan were forfeited, 712 and 775 options issued under the 2001 Plan were forfeited and 0 and 36,000 options issued under employment agreements outside the 2006 Plan and the 2001 Plan, respectively, were forfeited. No options were exercised during the three or six months ended June 30, 2008. The following table shows stock option activity during the six month period ended June 30, 2008:

Options	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	1,817,580	\$ 2.30		
Granted	561,000	0.61		
Exercised	-	-		
Forfeited	(106,975)	0.73		
Outstanding at June 30, 2008	2,271,605	\$ 0.86	6.19	\$ 15,215
Exercisable at June 30, 2008	1,604,148	\$ 2.27	4.94	\$ 793

As of June 30, 2008, the aggregate intrinsic value of outstanding and exercisable options, which is the actual value of the options if exercised, was \$15,215 and \$793, respectively.

During the three and six months ended June 30, 2008, 0 and 295,890 warrants expired and no warrants were granted or exercised by warrant holders.

At June 30, 2008, the Company had 2,271,605 outstanding stock options, 6,287,045 shares issuable upon exercise of warrants to be issued upon exchange of Preferred Stock, and 3,627,035 shares issuable upon the exercise of outstanding warrants that were not included in the computation of diluted EPS because to do so would have been anti-dilutive for the period presented.

On January 1, 2006, the Company adopted Financial Accounting Standards Board (“FASB”) Statement No. 123 (revised 2004), “*Share-Based Payment*” (“FAS No. 123(R)” or the “Statement”) which requires that the compensation cost relating to share-based compensation awards, including grants of employee stock options, be recognized in financial statements as these awards become vested, based on the grant date fair value of the equity instruments issued.

The Company estimated the grant date fair value of each option granted during the periods set forth below using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six Months Ended 30-Jun-08	Year Ended December 31, 2007
Risk free interest rate	4.27%	4.65%
Expected volatility factor	84.54%	86.59%
Expected option term in years	3.5 to 6.5	3.5 to 6.5
Dividends	\$0.00	\$0.00
Forfeitures for senior executives and non-senior executives	19% and 20%	19% and 20%

The risk-free interest rate is determined on the date the grant is issued. This rate is equal to the rates based on yields from U.S. Treasury zero-coupon issues with maturity of 3.5 years to 6.5 years.

Expected volatilities are based on historical stock prices over the two years prior to the stock option award.

The Company is required to estimate forfeitures of stock options. The forfeiture rate is the rate at which options are expected to be forfeited prior to full vesting. The forfeiture rate is determined based on actual forfeiture rate experience as follows: For each historical year of option issuance, the total options issued for the year is compared to the options forfeited prior to having vested. For option years in which

the two year vesting period has not passed, past experience is used to project future forfeitures. The total of pro forma forfeitures is then compared to total options awarded and the resultant percentage is used as the forfeiture rate. The estimated forfeiture rate for senior executive and non-senior executive option grants is 19% and 20%, respectively. This rate is recalculated on an annual basis.

The annual rate of quarterly dividends is 0% since iSECUREtrac has historically not paid dividends on its common stock.

The Company recorded share-based compensation expense of \$105,218 and \$210,347 for the three and six months ended June 30, 2008, respectively, compared to \$90,640 and \$160,238 for the same periods in 2007.

As of June 30, 2008, there was approximately \$486,110 of total unrecognized compensation costs related to non-vested stock option agreements granted to the Company's executives and employees. The future compensation expense the Company will recognize if and as these options vest according to their contractual terms is as follows:

2008	\$	207,942
2009		267,519
2010		10,649
Total	\$	486,110

Note 3. Leasehold Improvements and Equipment

The cost and accumulated depreciation of our leasehold improvements and equipment as of June 30, 2008 and December 31, 2007 are as follows:

	June 30, 2008			December 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 969,867	\$ 523,002	\$ 446,864	\$ 844,307	\$ 446,991	\$ 397,316
Leasehold improvements	230,338	83,593	146,746	227,229	54,047	173,182
Monitoring equipment	11,774,441	7,557,490	4,216,951	9,845,464	6,540,234	3,305,230
Total leasehold improvements and equipment	\$ 12,974,646	\$ 8,164,085	\$ 4,810,561	\$ 10,917,000	\$ 7,041,272	\$ 3,875,728

Note 4. Goodwill and Intangible Assets Subject to Amortization

Goodwill is the excess of the cash paid over the fair value of the net assets acquired and liabilities assumed in an acquisition, less the amount of identifiable intangible assets. Goodwill is not amortized, but is tested for impairment on an annual basis at the end of each calendar year. The Company determined that there was no impairment of goodwill as of December 31, 2007.

The Company also separately records other intangible assets that can be identified and assigned a value. At June 30, 2008, such intangible assets consisted solely of customer monitoring contracts acquired in a prior acquisition. The Company amortizes the initial carrying value attributable to these monitoring contracts based on the projected revenue stream of the monitoring contracts. This amortization expense is included in sales, general and administrative expenses in the consolidated statements of operations and equaled \$10,490

and \$20,981 for the three and six month periods ended June 30, 2008, respectively and \$20,642 and \$41,284 for the comparable periods in 2007. These intangible assets are also tested for impairment on an annual basis.

The composition of goodwill and intangible assets at June 30, 2008 and December 31, 2007, is as follows:

	June 30, 2008		December 31, 2007	
	Goodwill	Intangibles, subject to Amortization	Goodwill	Intangibles, subject to Amortization
Gross Carrying Amount	\$ 2,302,179	\$ 911,522	\$ 2,302,179	\$ 911,522
Accumulated Amortization	-	(871,147)	-	(850,166)
Balance	\$ 2,302,179	\$ 40,375	\$ 2,302,179	\$ 61,356

The estimated aggregate amortization expense of the intangibles is as follows:

2008	\$ 20,982
2009	19,393
Total	\$ 40,375

Note 5. Long-Term Debt

Long-term debt consists of capital leases used to finance the acquisition of monitoring equipment and secured borrowings for working capital.

As of June 30, 2008, the Company had remaining capital lease facilities in place to finance the future acquisition of approximately \$1,150,000 of monitoring equipment with AHK Leasing, LLC (“AHK”), a company controlled by three stockholders, one of which is a current director. Subsequent to June 30, 2008, the Company executed an additional \$500,000 lease as described in Note 9.

Under these sale-leaseback arrangements, the Company sells the inventory to AHK and then leases the equipment back. AHK has indicated that it will continue to provide lease financing for additional monitoring equipment throughout 2008. Maturity dates on these capital leases run from June 2009 to April 2011. The assets and the related liabilities under the leases have been recorded at the present value of the future minimum lease payments using discount rates of 10.00% to 12.50%. As of June 30, 2008, the aggregate balance on these capital leases totaled \$2,253,353. The aggregate balance on capital leases at December 31, 2007 was \$1,126,463. For the three and six months ended June 30, 2008 interest expense to AHK was \$47,869 and \$82,278, respectively, as compared to \$37,650 and \$81,665 for the three and six months ended June 30, 2007, respectively. There was no accrued interest at June 30, 2008 and December 31, 2007 to AHK.

As of June 30, 2008, the Company had outstanding borrowings of \$11,877,475 under a secured Promissory Note payable to, and an associated Credit and Security Agreement (the “Crestpark Note”) with, Crestpark LP, Inc. (the “Lender”). The Lender is an affiliate of the sole holder of our Series C Preferred Stock. Principal on the Crestpark Note is due on the earlier of (i) July 1, 2010 or (ii) the first date on which the Company either issues equity securities or arranges for additional indebtedness (other than trade indebtedness incurred in the ordinary course of its business) in a transaction or series of transactions which generates aggregate net proceeds to the Company of not less than the then current principal amount outstanding under the Crestpark Note, plus all accrued but unpaid interest. The Company may prepay the Crestpark Note at any time without premium or penalty. The Crestpark Note provides, among other things, that \$6,455,250 of the borrowings thereunder bears interest at 7.0% per annum and that such interest will be due and payable at maturity of the Crestpark Note. The remaining

\$5,422,225 of borrowings (the "Floating Tranche") under the Crestpark Note bears interest at a floating rate equal to 2% over the prime rate (the "Base Rate"). The portion of the interest on the Floating Tranche determined by the Base Rate will be payable at maturity, but the remaining portion of the interest representing the 2% premium over the Base Rate is payable monthly. Accrued interest on the Crestpark Note at June 30, 2008 and December 31, 2007, equaled \$414,093 and \$30,513, respectively.

Total interest expense for the Company for the three and six months ended June 30, 2008 was \$268,388 and \$533,372, respectively, compared to \$145,504 and \$298,030 during the same periods in 2007. Of that amount, \$259,126 and \$520,382 was expensed to related parties under the AHK Capital Leases and the Crestpark Note for the three and six months ended June 30, 2008, respectively, compared to \$140,562 and \$288,139 during the same periods in 2007.

Note 6. Redeemable Exchangeable Series C Preferred Stock

On June 27, 2005, the Company issued 1,000,000 shares of its \$0.01 par value Series C 8% Cumulative, Compounding Exchangeable Preferred Stock (the "Series C Preferred Stock"). The Series C Preferred Stock is exchangeable for 4,782,609 shares of common stock and warrants to acquire 6,287,045 shares of common stock at an exercise price of \$2.30 per share at anytime at the discretion of the preferred stockholder.

If, after June 27, 2010, the closing price of the common stock exceeds \$20.00 per share for at least 120 consecutive trading days, the Company can require the conversion of the Series C Preferred Stock into common stock in accordance with the above exchange provisions.

The Preferred Stock is redeemable on the tenth anniversary of the original issue date. The redemption price per share of the Preferred Stock will equal the per share original issue price (\$11 per share) plus an amount equal to all accrued but unpaid dividends thereon (and any interest payable thereon). The interest method will be utilized to accrete the carrying amount of the Preferred Stock over the ten year period to the earliest redemption date so that the carrying amount will equal the redemption amount at the earliest possible redemption date. Due to the accumulated deficit position of the Company, the periodic accretion will be charged to Additional Paid-In Capital. As of June 30, 2008, the Company had accrued Series C Preferred Stock dividends totaling \$2,868,083 and accretion to redemption value of the Series C Preferred Stock totaling \$589,552. Of these amounts, \$256,061 and \$49,129, respectively, were the amounts accrued during the three months ended June 30, 2008.

Upon any liquidation of the Company, no distribution can be made to the holders of shares of common stock or other stock ranking junior to the Series C Preferred Stock unless, prior thereto, the holders of shares of Series C Preferred Stock have received an amount per share equal to the per share original issue price plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, multiplied by a factor of 105%.

Except as otherwise required by law, the holders of shares of Series C Preferred Stock vote together with the holders of shares of the common stock of the Company on all matters submitted to the stockholders of the Company and not as a separate class, and each share of Series C Preferred Stock entitles the holder thereof to 11 votes or the equivalent amount of voting power thereof as determined by the Board of Directors. In addition, until such time that less than 500,000 shares of Series C Preferred Stock are outstanding, the Series C Preferred Stockholders have the ability to appoint a majority of directors.

Note 7. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. This statement clarifies that market participant assumptions include assumptions about risk. A fair value measurement should include an adjustment for risk if market participants would include one in pricing the related asset or liability, even if the adjustment is difficult to determine. This statement also clarifies that market participant assumptions should also include assumptions about the effect of a restriction on the sale or use of an asset. This statement clarifies that fair value measurement for a liability should reflect nonperformance risk (the risk that the obligation will not be fulfilled). This statement expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. The disclosures focus on the inputs used to measure fair value and for recurring fair value measurements using significant unobservable inputs and the effect of the measurements on earnings (or changes in net assets) for the period. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, FASB issued FASB Staff Position (“FSP”) FAS 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis. The FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The adoption of SFAS 157 did not have a material effect on the Company’s financial position or results of operations. The Company is currently evaluating the potential effect of FSP FAS 157-2 on the Company’s financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“SFAS No. 159”). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The statement is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 did not have a material effect on the Company’s financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in consolidated Financial Statements - an Amendment of ARB No. 51." This statement requires that noncontrolling or minority interests in subsidiaries be presented in the consolidated statement of financial position within equity, but separate from the parents' equity, and that the amount of the consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income. SFAS No. 160 is effective for the fiscal years beginning on or after December 15, 2008. Currently the Company does not anticipate that this statement will have an impact on its financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised) “Business Combinations”. SFAS No. 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective for the fiscal year beginning after December

15, 2008. Management does not anticipate that SFAS No. 141 (Revised) will have an impact on the Company's financial statements upon adoption.

In March 2008, the Financial Accounting Standards Board ("FASB") issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("Statement No. 161"). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial condition, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Statement No. 161 will impact disclosures only and will not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

Note 8. Contingencies

On November 27, 2007, the Company and Pro Tech Monitoring, Inc. ("Pro Tech") entered into a Confidential Settlement Agreement (the "Settlement Agreement"), pursuant to which the parties agreed to compromise and settle all claims and disputes related to a lawsuit filed by Pro Tech against the Company in the United States District Court for the Middle District of Florida in which Pro Tech alleged that the Company had infringed on a U.S. patent held by Pro Tech relating to GPS tracking and monitoring apparatus and systems. Pro Tech was seeking an injunction and substantial monetary damages from the Company.

Pursuant to the Settlement Agreement, Pro Tech has caused the dismissal of its lawsuit against the Company. In consideration, the Company paid Pro Tech \$800,000 in cash upon execution of the Settlement Agreement and agreed to, and did purchase \$600,000 worth of sobriety monitoring equipment from Pro Tech prior to December 31, 2007. The \$800,000 was included in sales, general and administrative expenses for the year ended December 31, 2007. In addition, the Company has agreed to make a modification to its GPS tracking equipment to eliminate or disable a component that allegedly infringed on Pro Tech's patent. On January 27, 2008, the Company became subject to royalty payments, which escalate over time, on activated, unmodified equipment in the field. As of June 30, 2008, the Company has expensed \$65,698 and accrued \$10,049 of settlement royalty costs. The Company entered into the Settlement Agreement without admission of liability and solely to avoid the expense and uncertainty of litigation.

The Company is not subject to any other material pending or threatened lawsuits.

Note 9. Subsequent Events

On July 3, 2008, the Company executed a \$500,000 sale-leaseback arrangement with AHK consistent with the terms outlined in Note 5. The agreement was executed July 3rd and the cash was received by the Company on July 7th. The effect of the transaction was an increase to cash and long term debt of \$500,000. The execution of this lease reduced the remaining capital lease facilities in place for future monitoring equipment purchases to \$650,000.

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

General

Discussions of certain matters contained in this Quarterly Report on Form 10-Q may contain statements that plan for or anticipate the future. Forward-looking statements include statements about the future of

our products and the industry, statements about our future business plans and strategies, and most other statements that are not historical in nature. In this Form 10-Q, forward-looking statements are generally identified by the words "anticipate," "plan," "believe," "expect," "estimate," and the like. Because forward-looking statements involve future risks and uncertainties, there are factors that could cause actual results to differ materially from those expressed or implied. The actual outcomes of these matters may differ significantly from the outcomes expressed or implied in these forward-looking statements and other risks detailed in "ITEM 6. Management's Discussion and Analysis or Plan of Operation" contained in the Company's Form 10-KSB filed for the year ended December 31, 2007.

The following discussion is intended to provide a better understanding of the significant changes in trends relating to the Company's financial condition and results of operations. Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes thereto.

Overview

iSECUREtrac develops, markets, leases and services products that assist in "monitoring compliance and modifying behavior" of individuals who are under the supervision of the criminal justice system and social service agencies, primarily in the United States.

The Company's principal sources of revenue are daily leasing of electronic monitoring equipment including access to the corresponding web-based monitoring software, and providing administrative, field and support services, generally charged on a per offender basis.

Results of Operations

Total Revenues

For the three month and six month periods ended June 30, 2008, the Company had total revenue of \$2,355,681 and \$4,857,992, respectively compared to \$2,250,473 and \$4,405,091 for the same periods in 2007 which represent an increase of 4.7% and 10.3%.

The Company's principal sources of revenue (equipment leasing and administrative, field and support services) for the three and six months ended June 30, 2008 increased 8.0% and 12.0% over the comparable periods in 2007.

The increase in revenue is a result of an increase in the number of units under lease and an increase in the number of units utilizing the Company's administrative, field and support services.

Cost of Revenues

Cost of revenues represents all direct costs related to delivery of monitoring equipment including amortization of the acquisition costs, repairs and maintenance of the monitoring equipment, transportation costs, settlement royalty costs, communication costs associated with the equipment, as well as costs to upgrade existing units for advancements in technology. Certain costs such as communication costs, shipping and amortization increased during the three and six months ended June 30, 2008 compared to the same periods for 2007, as a result of additional units under lease. Royalty payments began as a result of the settlement signed with ProTech Monitoring (see Note 8 to the Financial Statements) These increases were offset by reductions in equipment upgrade and repair costs resulting in total cost of revenues for the three and six months ended June 30, 2008 increasing \$54,436 (6%) and \$281,331 (16%) respectively compared to the same periods in 2007.

Research and Development Expenses

Research and Development (R&D) expenses represent the on-going direct costs associated with the development of the Company's proprietary hardware and software including staffing expenses for the Company's own engineers and software developers, the cost of outside contracted engineering and design, and the actual costs of components, prototypes, and testing equipment and services used in the product development functions.

Research and Development expenses for the three and six months ended June 30, 2008 were \$328,747 and \$668,558 respectively which represent, a decrease of \$84,368 (20%) and \$217,666 (25%) compared to the same periods in 2007. The main reason for the decrease in R&D costs over the comparable periods was the completion of the development and testing of the Company's next generation product, the System 5000, in the fourth quarter of 2007.

Sales, General and Administrative Expenses

Sales, General and Administrative (SG&A) expenses are all the expenses associated with the operations of the Company, other than the expenses described above. These expenses include payroll, taxes and benefits and related travel for executive, sales, administrative, customer support and accounting staff. In addition these costs include rent on property, corporate communications, office leases and supplies, marketing, advertising, trade shows, recruiting and training expenses, professional fees and bad debt expense.

The Company's SG&A expenses for the three months ended March 31, 2008 and 2007 and the six months ended June 30, 2008 and 2007 are further detailed in the following table:

	3 Months Ended March 31, 2008	3 Months Ended June 30, 2008	6 Months Ended June 30, 2008	3 Months Ended March 31, 2007	3 Months Ended June 30, 2007	6 Months Ended June 30, 2007
Detail of Sales, General & Administrative expenses (SG&A)						
Litigation and settlement expenses	\$ -	\$ -	\$ -	\$ 1,595	\$ 88,880	\$ 90,475
Management restructuring expenses	-	-	-	-	59,511	59,511
Consulting expenses - Sarbanes-Oxley	-	-	-	-	58,445	58,445
Other sales, general and administrative expenses	2,251,803	2,046,532	4,298,335	2,065,632	2,021,902	4,087,534
Total SG&A	\$ 2,251,803	\$ 2,046,532	\$ 4,298,335	\$ 2,067,227	\$ 2,228,738	\$ 4,295,965

2nd Quarter 2008 vs. 2nd Quarter 2007

For the three months ended June 30, 2008, SG&A expenses decreased \$182,206 to \$2,046,532 from \$2,228,738 incurred in the comparable period in 2007. Significant increases and decreases of SG&A expense in the comparable periods are highlighted below:

- Litigation and settlement expenses, management restructuring expenses and consulting expenses related to Sarbanes-Oxley decreased approximately \$207,000.

- Compensation expense increased approximately \$142,000 due to the increase in staffing levels made in mid 2007 in customer facing areas such as sales, repair and our monitoring center.
- Travel & Entertainment decreased approximately \$50,000 due to cost controls implemented in Q2 of 2008.
- Bad Debt expense decreased approximately \$33,000 as a result of management's evaluation of the receivable portfolio.
- Various other expenses including consulting and customer relations decreased an aggregate of approximately \$34,000.

Year-to-date 2008 vs. Year-to-date 2007:

For the six months ended June 30, 2008, SG&A expenses increased \$2,370 to \$4,298,335 from \$4,295,965 incurred in the comparable period in 2007. Significant increases and decreases of SG&A expense in the comparable periods are highlighted below:

- Litigation and settlement expenses, management restructuring expenses and consulting fees in connection with Sarbanes-Oxley decreased approximately \$208,000.
- Compensation expense including benefits increased approximately \$400,000 due to the increase in staffing levels made in mid 2007 in customer facing areas such as sales, repair and our monitoring center.
- Travel & Entertainment decreased approximately \$59,000.
- Stock option expenses increased approximately \$50,000 as a result of the stock options issued by the Company in January 2008. There were fewer stock options issued in the first half of 2007.
- Damaged/Scrapped Component costs decreased approximately \$38,000 due to the peak in this expense item 1st quarter 2007.
- Various other expenses including Bad Debt Expense, Insurance Expense, Dues/Fees and other consulting fees declined an aggregate of approximately \$143,000.

Cost Reduction Plan Implemented during the 2nd Quarter

During the first quarter of 2008, the executive team began the process of evaluating the Company's cost structure and began to take actions to control expenditures, most particularly in the Sales, General and Administrative area.

The net result of these actions is expected to be a reduction of expenses of approximately \$1,100,000 on an annual basis, of which \$977,000 relates to SG&A, the remaining \$123,000 relates to R&D. The timing of the actions taken resulted in minimal impact on the SG&A expenses in the three months and six months ending June 30, 2008. The full benefit of these reductions are not expected to be realized until

the three months ending December 31, 2008. We believe that the following quarter to quarter comparison illustrates the effect of this cost reduction plan.

2nd Quarter 2008 vs. 1st Quarter 2008

For the three months ended June 30, 2008, SG&A expenses decreased \$205,271 from the three months ended March 31, 2008. Significant decreases are outlined below:

- Compensation expense decreased approximately \$71,000 as a result of the Cost Reduction Plan outlined above as well as open positions in the three months ended June 30, 2008.
- Consulting fees, not related to Sarbanes-Oxley, decreased approximately \$48,000 as a result of the Cost Reduction Plan outlined above.
- Legal fees decreased approximately \$39,000 mainly as a result of the Company's annual reporting in the three months ending March 31, 2008
- Travel & Entertainment decreased approximately \$48,000 as a result of the Cost Reduction Plan outlined above.

Interest Expense, Net

Net interest expense represents the total interest expense incurred by the Company reduced by the interest income earned by the Company during the year. Net interest expense for the three and six months ended June 30, 2008 was \$263,545 and \$509,305 respectively compared to \$112,327 and \$218,378 compared to the same periods in 2007. The increase is attributable to the increase in equipment purchased under capital leases, as well as the additional borrowings from Crestpark LP, Inc. in late 2007. As a result of the additional borrowing from Crestpark LP, Inc. and the Company's continuing use of capital leases to finance its equipment purchases, we expect to see net interest expense continue to grow throughout 2008.

Net Loss

The Company's net loss for the three and six months ended June 30, 2008 was \$1,231,264 and \$2,654,220 respectively compared to \$1,397,392 and \$2,750,160 compared to the same periods in 2007, for the reasons described above.

Preferred Stock Dividends and Accretion

For the three and six months ended June 30, 2008, preferred stock dividends and accretion totaled \$305,190, and \$610,380, respectively, as compared to \$286,224 and \$569,841 for the same periods in 2007. This increase was due to compounding interest on accrued but unpaid dividends on our Series C Preferred Stock. The Series C Exchangeable Preferred Stock accrues interest at a cumulative compounded rate of 8.0% per annum.

Liquidity and Capital Resources

For the six months ended June 30, 2008, the Company used \$1,820,250 of cash in operating activities, used another \$2,043,111 in investing activities, and generated \$1,126,891 in cash from financing activities. The total of all cash flow activities resulted in a decrease in the balance of cash for the six months ended June 30, 2008 of \$2,736,470. For the same period of 2007, the Company used \$1,573,304 of cash in operating activities, used another \$266,883 in investing activities, and used \$474,988 in cash from financing activities. The total of all cash flow activities through the first half of 2007 resulted in a decrease in the balance of cash of \$2,315,175.

The Company's principal uses of cash are the payment of operating expenses, the acquisition of monitoring equipment and the financing of its receivables. In general, the Company meets its liquidity needs from its current revenues, from cash and cash equivalents, and through capital leasing arrangements. As of June 30, 2008, the Company had approximately \$706,242 in cash and cash equivalents. These resources are what remain of the additional amount borrowed by the Company in the fourth quarter of 2007 under its secured loan from Crestpark LP, Inc. ("Crestpark") an affiliate of Mykonos 6420 LP ("Mykonos"), the sole holder of the Company's Series C Preferred Stock (the "Crestpark Note"). The total amount of the Crestpark Note is \$11,877,475. Principal on the Crestpark Note is due on the earlier of (i) July 1, 2010 or (ii) the first date on which the Company either issues equity securities or arranges for additional indebtedness (other than trade indebtedness incurred in the ordinary course of its business) in a transaction or series of transactions which generates aggregate net proceeds to the Company of not less than the then current principal amount outstanding under the Crestpark Note, plus all accrued but unpaid interest. The Company may prepay the Crestpark Note at any time without premium or penalty. The Crestpark Note provides, among other things, that \$6,455,250 of the borrowings thereunder bears interest at 7.0% per annum and that such interest will be due and payable at maturity of the Crestpark Note. The remaining \$5,422,225 of borrowings (the "Floating Tranche") under the Crestpark Note bears interest at a floating rate equal to 2% over the prime rate (the "Base Rate"). The portion of the interest on the Floating Tranche determined by the Base Rate will be payable at maturity, but the remaining portion of the interest representing the 2% premium over the Base Rate is payable monthly. Borrowings under the Crestpark Note are secured by a first security interest in all of the assets of the Company except that Crestpark's security interest in certain monitoring equipment is subordinate to the interest of AHK under capital lease facilities described below. The terms of the Crestpark Note were approved by a Special Committee of the Board of Directors consisting solely of disinterested directors.

As of June 30, 2008, the Company had remaining capital lease facilities in place to finance the future acquisition of approximately \$1,150,000 of monitoring equipment with AHK Leasing, LLC ("AHK"), a company controlled by three stockholders, one of which is a current director. Subsequent to June 30, 2008, the Company executed an additional \$500,00 lease as described in Note 9 to the Financial Statements included in this report. Under these sale-leaseback arrangements, the Company sells the inventory to AHK and then leases the equipment back. AHK has indicated that it will continue to provide lease financing for additional monitoring equipment throughout 2008. Maturity dates on these capital leases run from June 2009 to July 2011. The assets and the related liabilities under the leases have been recorded at the present value of the future minimum lease payments using discount rates of 10.00% to 12.50%. As of June 30, 2008, the aggregate balance on these capital leases totaled \$2,253,353, of which \$1,072,243 is current and the balance of \$1,181,110 is classified as long-term debt.

The Company believes that its current working capital, combined with the expected amounts available through lease financing for our monitoring equipment described above are sufficient to meet its liquidity needs through 2008. In the early part of 2009, depending on the results of operations for 2008, it is probable the Company will need additional equity or debt financing to have sufficient capital to satisfy liquidity needs in 2009. The Company does not have any irrevocable commitments to provide any such additional capital at this time and there is no assurance that such additional equity or debt financing will

be available. However, the Company has begun discussions with a major shareholder regarding additional debt financing with the intention of having an agreement in place during the 4th Quarter of 2008. If the Company is unable to obtain additional capital, it will need to take other steps, including imposition of significant cost reductions, in order to maintain operations.

Application of Critical Accounting Estimates

Management uses estimates and assumptions in preparing our financial statements in accordance with accounting principles generally accepted in the United States. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Periodically, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. We do not believe that any of the accounting estimates are critical at this time, however we expect to continue to review our accounting estimates in order to determine if any of these accounting estimates are critical. For further discussion of our significant accounting policies, refer to Note 1 – “Nature of Business and Significant Accounting Policies” to the Consolidated Financial Statements in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management does not believe that there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this item.

Item 4T. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company's principal executive officer and principal financial officer have reviewed and evaluated the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Company required to be included in the Company's periodic filings under the Exchange Act.

The Company's principal executive officer and principal financial officer determined that there have not been any changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not subject to any material pending or threatened lawsuits.

Item 1A. Risk Factors.

Not Applicable

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

On May 5, 2008, the Company issued a total of 5,556 shares of common stock to two directors in partial payment of directors' fees. The shares had a market value on the date of the board meeting of \$2,000. The issuance of these shares is exempt from registration under Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities.

None

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

The annual meeting of stockholder was held on April 30, 2008. At the annual meeting, stockholders voted to:

- (i) elect three directors of the Company by the holders of the Common Stock to serve for a one-year term;
- (ii) elect three directors of the Company by the holders of the Series C Preferred Stock to serve for a one-year term; and
- (iii) ratify the appointment of McGladrey & Pullen, LLP as our independent auditors for the fiscal year ending December 31, 2008

There were 10,782,756 shares of Common Stock entitled to vote at the meeting, of which 7,923,280 (73.48%) were represented at the meeting, and 1,000,000 shares of Series C Preferred Stock entitled to vote at the meeting, of which 100% were represented at the meeting.

The voting results were as follows:

Election of Directors by holders of Common Stock

<u>Name</u>	<u>For</u>	<u>Authority Withheld</u>
Roger J. Kanne	7,802,712	120,568
Peter A. Michel	7,802,712	120,568
Ravi Nath	7,802,712	120,568

Election of Directors by holders of Series C Preferred Stock

<u>Name</u>	<u>For</u>	<u>Authority Withheld</u>
Robert Korba	1,000,000	-
Joseph Ethridge	1,000,000	-
Bruce Leadbetter	1,000,000	-

Ratification of Auditors	<u>For</u>	<u>Against</u>	<u>Abstained</u>
	7,705,662	203,481	14,186

As a result, each nominee for director was elected to the Board of Directors for the term set forth above and the appointment of McGladrey & Pullen, LLP as our independent auditors for the fiscal year ending December 31, 2008 was duly ratified by the stockholders.

Item 5. Other Information.

None

Item 6. Exhibits.

- 3.1 Amended and Restated Certificate of Incorporation of the Company, as amended (3)
- 3.2 Restated Bylaws of the Company (1)
- 3.3 Certificate of Designations, Preferences and Rights of Series C 8% Cumulative, Compounding Exchangeable Preferred Stock of the Company (2)
- 4.1 Form of Common Stock Certificate (1)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference from the registrant's registration statement on Form 10-SB, filed on June 22, 1999 (Commission File No. 0-26455).

- (2) *Incorporated by reference from the registrant's current report on Form 8-K, filed on June 23, 2005 (Commission File No. 0-26455).*
- (3) *Incorporated by reference from the registrant's current report on Form 8-K, filed on December 14, 2006 (Commission File No. 0-26455).*

SIGNATURE

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

iSECUREtrac Corp.

By: /s/ Peter A. Michel
Peter A. Michel
President & CEO

Dated: August 12, 2008

By: /s/ Lincoln Zehr
Lincoln Zehr
Chief Financial Officer

Dated: August 12, 2008

CERTIFICATIONS

I, Peter A. Michel certify that:

1. I have reviewed this quarterly report on Form 10-Q of iSECUREtrac Corp.;
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 issuer 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 controls 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 12, 2008

/s/ Peter A. Michel

Peter A. Michel, Chief Executive Officer

CERTIFICATIONS

I, Lincoln Zehr certify that:

1. I have reviewed this quarterly report on Form 10-Q of iSECUREtrac Corp.;
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 issuer 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 controls 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 12, 2008

/s/ Lincoln Zehr

Lincoln Zehr, Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL
OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350, as adopted), Peter A. Michel, the Chief Executive Officer of iSECUREtrac Corp. (the “Company”), and Lincoln Zehr, the Chief Financial Officer of the Company, each hereby certifies that:

1. The Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2008, to which this Certification is attached as Exhibit 32 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Dated: August 12, 2008

/s/ Peter A. Michel

Peter A. Michel
Chief Executive Officer

/s/ Lincoln Zehr

Lincoln Zehr
Chief Financial Officer