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

FORM 10-Q/A
(Amendment No. 1)

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

For the Quarterly Period Ended September 30, 2005

OR

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

Commission File Number: 000-27945



ASCENDANT
SOLUTIONS™

ASCENDANT SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-2900905
(I.R.S. Employer
Identification No.)

16250 Dallas Parkway, Suite 205, Dallas, Texas
(Address of principal executive offices)

75248
(Zip Code)

Registrant's telephone number, including area code: 972-250-0945

Former Name or Former Address, if Changed Since Last Report: N/A

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

At November 7, 2005 there were approximately 22,080,900 shares of Ascendant Solutions, Inc. common stock outstanding.

ASCENDANT SOLUTIONS, INC.

FORM 10-Q/A
(Amendment No. 1)

For the Quarterly Period Ended September 30, 2005

PART I. CONSOLIDATED FINANCIAL INFORMATION

ITEM 1.	CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	1
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	18
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	30
ITEM 4.	CONTROLS AND PROCEDURES	31

PART II. OTHER INFORMATION

ITEM 1.	LEGAL PROCEEDINGS	31
ITEM 6.	EXHIBITS AND REPORTS ON FORM 8-K	32

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (the "Report") is being filed to amend Ascendant Solutions, Inc.'s (the "Company") Quarterly Report on Form 10-Q filed on November 14, 2005 (the "Original Report"), for the three and nine month periods ended September 30, 2005. The purpose of the amendment is to reflect the restatement of the Company's previously issued financial statements as of and for the three and nine month periods ended September 30, 2005, and the notes related thereto, as described below. The information in this Report is stated as of the date of the Original Report and does not reflect subsequent results, events or developments. Such subsequent results, events or developments include, among others, the information and events subsequently described in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. For a description of such subsequent results, events or developments, please read our Exchange Act Reports filed with the Securities and Exchange Commission since the date of the Original Report, which update and supersede information contained in the Original Report and this Report. Concurrently with the filing of this Quarterly Report on Form 10-Q/A, the Company is also filing a Quarterly Report on Form 10-Q/A for the quarterly periods ended March 31, 2005 and June 30, 2005 to restate its consolidated financial statements included therein.

This Report amends the Company's condensed consolidated financial statements and related notes to reflect its investment in Fairways Frisco, L.P. under the equity method of accounting. The Company originally used the cost method to account for its investment in Fairways Frisco because it believed its investment was minor, it had no influence over the operations or financial policies of Fairways Frisco and it had and still has no obligation to fund the operating losses or debts of Fairways Frisco. However, the Securities and Exchange Commission ("SEC") staff has advised the Company that it considers all investments in real estate limited partnerships in excess of 3% to 5% to be more than minor, and therefore must be accounted for under the equity method. For further information on the restatement, see Note 1 to the condensed consolidated financial statements included herein. Changes also have been made to the following items in this Amendment as a result of the restatement:

Part I, Item 1	CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Part I, Item 2	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Part II, Item 6	EXHIBITS AND REPORTS ON FORM 8-K

In addition, pursuant to the rules of the SEC, Item 6 of Part II of the original filing has been amended to contain currently-dated certifications from the Company's Chief Executive Officer and Chief Financial Officer which are attached to this Form 10-Q/A Amendment No. 1 as Exhibits 31.1, 31.2, 32.1 and 32.2, respectively.

ASCENDANT SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(000's omitted, except share amounts)

	September 30, 2005 (Unaudited) (Restated)	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 844	\$ 1,867
Trade accounts receivable, net	3,181	4,129
Other receivables	163	156
Receivable from affiliates	65	71
Inventories	2,563	2,201
Prepaid expenses	475	502
Assets held available for sale	2,312	2,626
	<u>9,603</u>	<u>11,552</u>
Property and equipment, net	954	629
Goodwill	7,299	7,299
Other intangible assets	510	758
Equity method investments	1,168	410
Other assets	93	105
Total assets	<u>\$ 19,627</u>	<u>\$ 20,753</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,521	\$ 1,407
Accounts payable to affiliates	107	-
Accrued expenses	1,966	3,098
Notes payable, current	708	456
Liabilities related to assets held available for sale	2,674	2,271
	<u>6,976</u>	<u>7,232</u>
Notes payable, long-term	9,925	10,178
Minority interests	665	464
Contingent indemnification liability	220	-
Total liabilities	<u>17,786</u>	<u>17,874</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value:		
Authorized shares--50,000,000, issued and outstanding shares--22,080,900 and 21,933,400 at September 30, 2005 and December 31, 2004, respectively.	2	2
Additional paid-in capital	60,054	59,961
Deferred compensation	(89)	(78)
Accumulated deficit	(58,126)	(57,006)
Total stockholders' equity	<u>1,841</u>	<u>2,879</u>
Total liabilities and stockholders' equity	<u>\$ 19,627</u>	<u>\$ 20,753</u>

See accompanying notes to the Condensed Consolidated Financial Statements

ASCENDANT SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(000's omitted, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005 <u>(Restated)</u>	2004	2005 <u>(Restated)</u>	2004
Revenue:				
Healthcare	\$ 7,298	\$ 6,979	\$ 22,166	\$ 14,630
Real estate advisory services	2,464	2,852	8,593	5,919
	<u>9,762</u>	<u>9,831</u>	<u>30,759</u>	<u>20,549</u>
Cost of sales:				
Healthcare	5,282	5,129	16,242	10,754
Real estate advisory services	1,423	1,577	5,254	3,098
	<u>6,705</u>	<u>6,706</u>	<u>21,496</u>	<u>13,852</u>
Gross profit	<u>3,057</u>	<u>3,125</u>	<u>9,263</u>	<u>6,697</u>
Operating expenses:				
Selling, general and administrative expenses	2,769	2,951	8,689	6,376
Non-cash stock compensation	23	10	58	45
Depreciation and amortization	164	130	455	202
Total operating expenses	<u>2,956</u>	<u>3,091</u>	<u>9,202</u>	<u>6,623</u>
Operating income	<u>101</u>	<u>34</u>	<u>61</u>	<u>74</u>
Equity in income (losses) of equity method investees	(75)	109	(211)	249
Other income	20	8	59	8
Interest expense, net	(173)	(136)	(482)	(253)
Loss on sale of equipment	-	-	(1)	(17)
Income (loss) before minority interest and income tax expense	(127)	15	(574)	61
Minority interest loss (income)	-	(11)	29	(50)
Income tax expense	47	43	125	91
Loss from continuing operations	(174)	(39)	(670)	(80)
Income (loss) from discontinued operations	(508)	42	(450)	191
Net income (loss)	<u>\$ (682)</u>	<u>\$ 3</u>	<u>\$ (1,120)</u>	<u>\$ 111</u>
Basic net income (loss) per share	\$ (0.03)	\$ 0.00	\$ (0.05)	\$ 0.01
Diluted net income (loss) per share	\$ (0.03)	\$ 0.00	\$ (0.05)	\$ 0.01
Average common shares outstanding, basic	22,014,233	21,883,400	21,970,900	21,760,622
Average common shares outstanding, diluted	22,014,233	22,887,708	21,970,900	22,710,964

See accompanying notes to the Condensed Consolidated Financial Statements.

ASCENDANT SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (000's omitted)

	Nine Months Ended September 30,	
	2005 (Restated)	2004
Operating Activities		
Net income (loss)	\$ (1,120)	\$ 111
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	100	99
Depreciation and amortization	455	202
Deferred compensation amortization	58	27
Non-cash stock option compensation	-	18
Equity in losses of equity method investees	442	-
Loss on sale of property and equipment	1	17
Minority interest	(29)	50
Charges related to discontinued healthcare operations	230	-
Changes in operating assets and liabilities, net of acquisition effects:		
Accounts receivable	848	921
Inventories	(362)	(206)
Prepaid expenses and other assets	38	64
Accounts payable	221	(24)
Accrued expenses	(1,132)	(504)
Net cash (used in) provided by operating activities	(250)	775
Investing Activities		
Return of capital distributions	85	29
Proceeds from sale of property and equipment	-	39
Deferred acquisition costs	-	310
Net cash acquired in acquisitions	-	1,734
Purchases of property and equipment	(533)	(73)
Distributions to limited partners	-	(31)
Investment in equity method investees	(1,065)	(97)
Payment of acquisition liabilities	-	(1,350)
Net assets held available for sale (discontinued operations)	487	(134)
Net cash (used in) provided by investing activities	(1,026)	427
Financing Activities		
Proceeds from exercise of common stock purchase options	24	48
Proceeds from sale of limited partnership interests	230	230
Proceeds from notes payable	255	-
Payments on notes payable	(256)	(394)
Net cash provided by (used in) financing activities	253	(116)
Net change in cash and cash equivalents	(1,023)	1,086
Cash and cash equivalents at beginning of period	1,867	2,006
Cash and cash equivalents at end of period	\$ 844	\$ 3,092
Supplemental Cash Flow Information		
Cash paid for income taxes	\$ 201	\$ -
Cash paid for interest on notes payable	\$ 511	\$ -
Noncash investing activities		
Indemnification liability recorded	\$ 220	\$ -

See accompanying notes to the Condensed Consolidated Financial Statements.

ASCENDANT SOLUTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements included herein reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state Ascendant Solutions, Inc.'s ("Ascendant Solutions" or the "Company") consolidated financial position, consolidated results of operations and consolidated cash flows for the periods presented. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2004 as filed with the Securities and Exchange Commission. The consolidated results of operations for the three and nine month periods ended September 30, 2005, respectively, are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire fiscal year ending December 31, 2005. The December 31, 2004 consolidated balance sheet was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Terms not otherwise defined herein shall have the meaning given to them in the Company's Form 10-K for the year ended December 31, 2004 as filed with the Securities and Exchange Commission.

Restatement

The Company has restated its condensed consolidated financial statements included herein to reflect a change in the accounting for its investment in Fairways Frisco, L.P. ("Fairways Frisco") from the cost method to the equity method of accounting. As of September 30, 2005, the Company owned approximately 15% of the limited partnership interests in Fairways Frisco. The Company originally used the cost method to account for its investment in Fairways Frisco because it believed its investment was minor, it had no influence over the operations or financial policies of Fairways Frisco and it has no obligation to fund the operating losses or debts of Fairways Frisco. However, under EITF Topic D-46, the SEC considers all investments in real estate limited partnerships of greater than 3 to 5 percent to be more than minor, and therefore must be accounted for under the equity method.

The restatement records the Company's equity in the net loss of Fairways Frisco for the three and nine month periods ended September 30, 2005 as a reduction of its investment on the accompanying condensed balance sheet and as a loss from equity method investments in the accompanying condensed statements of operations. This adjustment had no impact on the net change in cash and cash equivalents for the nine month period ended September 30, 2005.

This adjustment had no impact on the net change in cash and cash equivalents for the nine month period ended September 30, 2005. The adjustment also has no impact on the Company's obligations to fund any operating losses or debts of Fairways Frisco. The Company is not obligated under the Fairways Frisco limited partnership agreement to fund any operating losses or debts of Fairways Frisco.

The following is a summary of the changes to the condensed consolidated financial statements:

	As of September 30, 2005	
	Restated	Previously
	Amount	Reported
Balance Sheet:		
Equity method investments	\$ 1,168,000	\$ 1,610,000
Total assets	19,627,000	20,069,000
Total stockholders' equity	1,841,000	2,283,000
Total liabilities and stockholders' equity	19,627,000	20,069,000

	Three Months Ended September 30, 2005		Nine Months Ended September 30, 2005	
	Restated	Previously	Restated	Previously
	Amount	Reported	Amount	Reported
Statement of Operations:				
Investment income	\$ -	\$ 97,000	\$ -	\$ 290,000
Equity in income (losses) of equity method investees	(75,000)	-	(211,000)	-
Other income	20,000	-	59,000	-
Net income (loss)	(682,000)	(530,000)	(1,120,000)	(678,000)
Basic net income (loss) per share	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.03)
Diluted net income (loss) per share	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.03)

	Nine Months Ended September 30, 2005	
	Restated	Previously
	Amount	Reported
Statement of Cash Flows:		
Net Income (loss)	\$ (1,120,000)	\$ (678,000)
Equity in losses of equity method investees	442,000	-

2. Description of Business

Ascendant Solutions is a diversified financial services company which is seeking to, or has invested in or acquired, healthcare, manufacturing, distribution or service companies. The Company also conducts various real estate activities, performing real estate advisory services for corporate clients, and, through an affiliate, purchase real estate assets, as a principal investor.

The Company is organized in three segments: (i) healthcare, (ii) real estate services and (iii) corporate and other businesses. The following is a summary of the Company's identifiable business segments, consolidated subsidiaries and their related business activities:

Business Segment	Subsidiaries	Principal Business Activity
Healthcare	Dougherty's Holdings, Inc. and Subsidiaries ("DHT")	Healthcare products and services provided through retail pharmacies and infusion therapy centers, including specialty compounding pharmacy services
Real estate advisory services	CRESA Partners of Orange County, L.P., ASDS of Orange County, Inc., CRESA Capital Markets Group, L.P.	Tenant representation, lease management services, capital markets advisory services and strategic real estate advisory services
Corporate & other	Ascendant Solutions, Inc., ASE Investments Corporation	Corporate administration, investments in Ampco Partners, Ltd., Fairways Frisco, L.P. and Fairways 03 New Jersey, L.P.

During 2002, the Company made its first investments, and it has continued to make additional investments and acquisitions throughout 2003, 2004 and 2005. A summary of the Company's investment and acquisition activity is shown in the table below:

Date	Entity	Business Segment	Transaction Description	% Ownership
April 2002	Ampco Partners, Ltd	Corporate & other	Investment in a non-sparking, non-magnetic safety tool manufacturing company	10%
August 2002	VTE, L.P.	Corporate & other	Investment to acquire early stage online electronic ticket exchange company	23%
October 2002	CRESA Capital Markets Group, L.P., ASE Investments Corporation	Real estate advisory services	Investment to form real estate capital markets and strategic advisory services companies	80%
November 2003	Fairways 03 New Jersey, L.P.	Corporate & other	Investment in a single tenant office building	20%
March 2004	Dougherty's Holdings, Inc. and Subsidiaries	Healthcare	Acquisition of specialty pharmacies and therapy infusion centers	100%
April 2004	Fairways 36864, L.P.	Corporate & other	Investment in commercial real estate properties	20%
May 2004	CRESA Partners of Orange County, L.P., ASDS of Orange County, Inc.	Real estate advisory services	Acquisition of tenant representation and other real estate advisory services company	99%
December 2004	Fairways Frisco, L.P.	Corporate & other	Investment in a mixed-use real estate development	15% ¹

¹ The Company was the initial limited partner in Fairways Frisco, L.P., which obtained a 50% ownership interest in the Frisco Square Partnerships on December 31, 2004. Fairways Frisco, L.P. subsequently sold additional limited partnership interests and the Company held a limited partnership interest of approximately 15% in Fairways Frisco, L.P. as of September 30, 2005. See Note 8 for additional information regarding Fairways Frisco, L.P. and the Frisco Square Partnerships.

Certain of these transactions involved related parties or affiliates as more fully described in the Company's consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2004.

The Company will continue to look for acquisition opportunities, however, its current cash resources are limited and it will be required to expend significant executive time to assist the management of recently acquired businesses. The Company will continue seeking to (1) most effectively deploy its remaining cash, debt capacity (if any) and (2) capitalize on the experience and contacts of its officers and directors.

Please see Note 12 "Business Segment Information" in the notes hereto for additional information.

Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of Ascendant Solutions, Inc. and all subsidiaries for which the Company has ownership of greater than 50% of the common stock, preferred stock or limited partnership interests. All intercompany balances and transactions have been eliminated. The limited partnership interests for the subsidiaries and related minority interests are included on the balance sheet as Limited Partnership and Minority Interests.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported consolidated financial statements and accompanying notes, including allowance for doubtful accounts, inventory reserves and contingent liability recorded under an indemnification agreement. Actual results could differ from those estimates.

Equity Method Investments

Equity method investments include the Company's investments in Ampco, Fairways 03 New Jersey, L.P. and Fairways Frisco, L.P., and none represent investments in publicly traded companies. These investments are accounted for using the equity method of accounting for investments. The equity method is used as the Company does not have a majority interest and does not have significant influence over the operations or financial policies of the limited partnerships. Distributions received by the Company are recorded as investment income on the condensed consolidated statement of operations to the extent the distribution does not exceed the Company's proportionate share of the investee's earnings. Distributions in excess of the Company's proportionate share are recorded as a reduction of the Company's investment.

The Frisco Square Partnerships will require additional funding from Fairways Frisco, L.P. in order to continue development of its real estate. However, the Company is not obligated to invest any additional funds if Fairways Frisco makes a capital call for additional cash. The Company expects its ownership percentage in Fairways Frisco will decline further if additional capital calls are received for Fairways Frisco's funding needs and the Company does not fund its pro-rata share of such funding needs. The Company does not expect to receive any distributions from Fairways Frisco for the foreseeable future. For the three month and nine month periods ended September 30, 2005, there were no limited partner distributions received from this investment. See Note 8 for additional information regarding the Company's investment in Fairways Frisco.

The Company's recorded investment in Fairways 03 New Jersey, LP is due to its limited indemnification obligation to its partners in the Fairways 03 New Jersey LP investment for any losses those partners may incur under their personal guaranties of the partnership's bank indebtedness subject to the provisions of FIN 45. In the first quarter of 2005, the Company estimated its obligation under this indemnification agreement to be \$220,000 and recorded this amount as a contingent liability and an increase to its investment in limited partnerships. At the present time, the Company does not believe it is probable that any defaults will occur on the bank debt subject to this guaranty and indemnification agreement. The Company's maximum liability, if any, under this limited indemnification is \$520,000. See Notes 8 and 10 for additional information regarding the Company's indemnification obligation, including the pending sale of the single tenant commercial real estate property indirectly and partially owned by Fairways 03 New Jersey, LP.

Net Income (Loss) Per Share

Basic and diluted net income (loss) per share is computed based on the loss applicable to common stockholders divided by the weighted average number of shares of common stock outstanding during each period. Potentially dilutive securities consisting of warrants and stock options were not included in the calculation for the three month and nine month periods ended September 30, 2005 as their effect is anti-dilutive. The number of dilutive shares resulting from assumed conversion of stock options and warrants are determined by using the treasury stock method. See Note 4 for more information regarding the calculation of net income (loss) per share.

The Company has authorized preferred stock of 7,500,000 shares with a par value of \$0.0001 per share. As of September 30, 2005 and December 31, 2004, no preferred stock was issued or outstanding.

Stock Based Compensation

The Company accounts for its employee stock options and stock based awards utilizing the intrinsic value method, whereby, if the exercise price of an employee's stock option equals or exceeds the market price of the underlying stock on the date of the grant, no compensation expense is recognized. In October 1995, the Financial Accounting Standards Board issued Statement No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), which establishes a fair value-based method of accounting for stock-based compensation plans. The Company has adopted the disclosure-only alternative under SFAS No. 123. The Company accounts for stock based compensation to non-employees using the fair value method in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) Issue No. 96-18.

The Company has recognized deferred stock compensation related to certain stock option and grants of restricted stock. During 2002, the Company granted 1,310,000 options, on a net basis, to purchase shares of common stock at \$0.24 per share. The Company valued these options based on the Black-Scholes option pricing model.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS Statement No. 123, Accounting for Stock-Based Compensation, to stock-based compensation.

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>(Restated)</u>		<u>(Restated)</u>	
Net income (loss) attributable to common stockholders as reported	\$ (682,000)	\$ 3,000	\$ (1,120,000)	\$ 111,000
Total stock-based employee compensation included in reported net income (loss), net of related tax effects	23,000	10,000	58,000	45,000
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,000)	(3,000)	(9,000)	(94,000)
Pro forma net income (loss)	<u>\$ (662,000)</u>	<u>\$ 10,000</u>	<u>\$ (1,071,000)</u>	<u>\$ 62,000</u>
Net income (loss) per share:				
Basic - as reported	\$ (0.03)	\$ 0.00	\$ (0.05)	\$ 0.01
Basic - pro forma	\$ (0.03)	\$ 0.00	\$ (0.05)	\$ 0.00
Diluted - as reported	\$ (0.03)	\$ 0.00	\$ (0.05)	\$ 0.01
Diluted - pro forma	\$ (0.03)	\$ 0.00	\$ (0.05)	\$ 0.00

The Company used the Black-Scholes option-pricing model to determine the fair value of grants made during 2002. The following weighted average assumptions were applied in determining the pro forma compensation cost: risk free interest rate - 4.69%, expected option life in years - 6.00, expected stock price volatility - 1.837 and expected dividend yield - 0.00%.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

3. Discontinued Operations

In September 2005, the Company determined that it would exit the home infusion therapy business, which operated as part of its healthcare segment under the name Park InfusionCare. This will allow DHI to devote undivided focus on its primary business, independent specialty retail pharmacies. In connection therewith, the Company retained a financial advisor to assist in marketing Park InfusionCare for sale. The Company can provide no assurance that it will be able to find a buyer for Park InfusionCare, or to the extent a buyer is found, that a transaction on terms acceptable or favorable to the Company will be consummated.

The Company began accounting for Park InfusionCare as a discontinued operation in the third quarter of 2005. The following is a summary of the assets held available for sale and the related liabilities:

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Assets Held Available for Sale:		
Cash	\$ 1,000	\$ 1,000
Accounts Receivable, net	1,700,000	2,221,000
Inventory, net	229,000	297,000
Property and equipment, net	367,000	86,000
Other Assets	15,000	21,000
	<u>\$ 2,312,000</u>	<u>\$ 2,626,000</u>
Liabilities Related to Assets Held Available for Sale:		
Accounts Payable	\$ 559,000	\$ 226,000
Accrued Liabilities	289,000	63,000
Notes Payable	1,826,000	1,982,000
	<u>\$ 2,674,000</u>	<u>\$ 2,271,000</u>

Notes payable in both periods above includes an allocated amount of DHI's notes payable to Bank of Texas which are based on a borrowing base equal to 84% of eligible accounts receivable and 50% of eligible inventory, as further defined in the agreement with Bank of Texas. If the Company is successful in its attempt to sell Park InfusionCare, DHI will pay down the Bank of Texas notes payable in accordance with these borrowing base requirements. Notes payable above also includes capital leases for equipment specifically used by Park InfusionCare.

Accrued liabilities and income (loss) from discontinued operations includes an accrual of \$230,000 for the three and nine month periods ended September 30, 2005 for retention bonuses to be paid to employees of Park InfusionCare upon consummation of a sale transaction. In order to provide continuity of operations and staff, DHI has agreed to pay bonuses to various employees who continue to perform their duties through the date of the sale transaction. This accrued liability is an estimated amount and no amounts have been paid under this retention bonus plan.

The following results of Park InfusionCare have been presented as income (loss) from discontinued operations in the accompanying condensed consolidated statements of operations:

	<u>Three Months Ended September</u> <u>30,</u>		<u>Nine Months Ended September</u> <u>30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Income (loss) from discontinued operations:				
Infusion therapy revenue	\$ 2,261,000	\$ 2,253,000	\$ 7,110,000	\$ 5,272,000
Cost of sales	1,186,000	1,135,000	3,553,000	2,452,000
Gross profit	1,075,000	1,118,000	3,557,000	2,820,000
Selling, general and administrative expenses	1,318,000	1,022,000	3,654,000	2,509,000
Depreciation and amortization	10,000	17,000	41,000	35,000
Interest expense, net	25,000	37,000	82,000	85,000
Charges related to discontinuance	230,000	-	230,000	-
Income (loss) from discontinued operations	<u>\$ (508,000)</u>	<u>\$ 42,000</u>	<u>\$ (450,000)</u>	<u>\$ 191,000</u>

Interest expense includes an allocated portion of interest expense incurred on the Bank of Texas notes payable. The allocation was based on the percentage of available borrowing base from Park InfusionCare compared to the total available borrowing base for DHI on a consolidated basis.

4. Computation of Basic and Diluted Net Income (Loss) Per Common Share

Basic income (loss) per common share is based on the net income (loss) divided by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is based on the net income (loss) divided by the weighted average number of common shares including equivalent common shares of dilutive common stock options and warrants outstanding during the period. No effect has been given to outstanding options or warrants in the diluted computation, for the three or nine month periods ended September 30, 2005, as their effect would be anti-dilutive due to the net loss. The number of potentially dilutive stock options and warrants excluded from the computation for the three and nine month periods ended September 30, 2005 was approximately 956,000 and 973,000, respectively. A reconciliation of basic and diluted income (loss) per common share follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(Restated)		(Restated)	
Income from continuing operations, net of taxes	\$ (174,000)	\$ (39,000)	\$ (670,000)	\$ (80,000)
Income from discontinued operations, net of taxes	(508,000)	42,000	(450,000)	191,000
Net income (loss)	<u>\$ (682,000)</u>	<u>\$ 3,000</u>	<u>\$ (1,120,000)</u>	<u>\$ 111,000</u>
Weighted average common shares outstanding-Basic	22,014,233	21,883,400	21,970,900	21,760,622
Effect of dilutive stock options and warrants	-	1,004,308	-	950,342
Weighted average common shares outstanding-Diluted	<u>22,014,233</u>	<u>22,887,708</u>	<u>21,970,900</u>	<u>22,710,964</u>
Basic earnings per share from:				
Continuing operations	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.00)
Discontinued operations	\$ (0.02)	\$ 0.00	\$ (0.02)	\$ 0.01
Basic net income (loss) per share	<u>\$ (0.03)</u>	<u>\$ 0.00</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>
Diluted earnings per share from:				
Continuing operations	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.00)
Discontinued operations	\$ (0.02)	\$ 0.00	\$ (0.02)	\$ 0.01
Diluted net income (loss) per share	<u>\$ (0.03)</u>	<u>\$ 0.00</u>	<u>\$ (0.05)</u>	<u>\$ 0.00</u>

In May 2005, the Company issued 22,500 shares of restricted common stock under its 2002 Equity Incentive Plan to its non-employee directors in exchange for their service on the board of directors and its various committees during 2005 with such shares to vest quarterly throughout this year. The Company's board of directors reserved the right to reevaluate this form of director compensation and each director has the right to reevaluate the choice of restricted shares or cash for service as a director in 2006. Additionally, the Company issued 10,000 restricted common shares as a one-time new director grant for a new non-employee director, and it issued 15,000 restricted common shares as annual grants to two non-employee directors (7,500 shares to each director). These one-time and annual grants vest annually over a three-year period.

Deferred compensation equivalent to the market value of these shares at date of issuance is reflected in Shareholders' Equity and is being amortized to operating expense over the applicable vesting period. Deferred compensation expense included in the accompanying condensed consolidated statements of operations amounted to \$23,000 and \$10,000 for the three month periods ended September 30, 2005 and 2004, respectively, and \$58,000 and \$27,000 for the and nine month periods ended September 30, 2005 and 2004, respectively.

In September 2005, the Company's Chairman, James C. Leslie, exercised stock options to purchase 100,000 shares of the Company's common stock at an exercise price of \$0.24 per share. Subsequent to this exercise, Mr. Leslie holds fully vested stock options to purchase 200,000 shares at an exercise price of \$0.24 per share.

5. Trade Accounts Receivable

Trade accounts receivable comprised the following:

	September 30,	December 31,
	2005	2004
Healthcare:		
Trade accounts receivable	\$ 1,819,000	\$ 1,790,000
Less - allowance for doubtful accounts	(212,000)	(72,000)
	<u>1,607,000</u>	<u>1,718,000</u>
Real Estate Advisory Services:		
Trade accounts receivable	1,574,000	2,411,000
Less - allowance for doubtful accounts	-	-
	<u>1,574,000</u>	<u>2,411,000</u>
	<u>\$ 3,181,000</u>	<u>\$ 4,129,000</u>

Healthcare accounts receivable from Medicare and Medicaid combined were approximately 16.4% and 8.3% of total accounts receivable at September 30, 2005 and December 31, 2004, respectively. The Company's Healthcare segment also had receivables in excess of 10% of accounts receivable from one major insurance company representing 13.5% of total accounts receivable at September 30, 2005. No other single customer or third-party payer accounted for more than 10% of accounts receivable at September 30, 2005 or December 31, 2004, respectively.

The Company's real estate advisory services segment derived revenues in excess of ten percent from two customers combined totaling approximately \$1,366,000, or 56.1% of revenues for the three month period ended September 30, 2005 and revenues from one customer in excess of 10% totaling approximately \$2,743,000 or 32.1% of revenues for the nine month period ended September 30, 2005, respectively.

6. Property and Equipment, Net

Property and equipment net comprised the following:

	Estimated	September 30,	December 31,
	Useful Lives	2005	2004
Computer equipment and software	3 to 5 years	\$ 477,000	\$ 280,000
Furniture, fixtures and equipment	5 to 7 years	333,000	274,000
Leasehold improvements	Life of Lease	558,000	283,000
		<u>1,368,000</u>	<u>837,000</u>
Less accumulated depreciation and amortization		(414,000)	(208,000)
		<u>\$ 954,000</u>	<u>\$ 629,000</u>

The Company provides for depreciation based on the estimated useful lives of depreciable assets using the straight-line method. Depreciation expense was \$81,000 and \$75,000 for the three month periods ended September 30, 2005 and 2004, respectively, and \$207,000 and \$128,000 for the nine month periods ended September 30, 2005 and 2004, respectively.

7. Accrued Expenses

Accrued expenses comprised the following:

	September 30, 2005	December 31, 2004
	<u> </u>	<u> </u>
Accrued real estate commissions & fees	\$ 1,137,000	\$ 2,060,000
Accrued payroll and related	458,000	487,000
Accrued other	151,000	210,000
Accrued rent	139,000	116,000
Accrued property, franchise and sales taxes	101,000	44,000
Accrued state income taxes payable	(20,000)	181,000
	<u>\$ 1,966,000</u>	<u>\$ 3,098,000</u>

8. Equity Method Investments

Equity method investments comprised the following:

	Ownership %	September 30, 2005	December 31, 2004
		<u> </u>	<u> </u>
		(Restated)	
Ampco Partners, Ltd.	10%	\$ 237,000	\$ 256,000
Fairways 03 New Jersey, LP	20%	153,000	-
Fairways Frisco L.P.	15%	778,000	154,000
		<u>\$ 1,168,000</u>	<u>\$ 410,000</u>

The Company's investment in Fairways Frisco includes its cumulative cash investment of \$1,220,000 and its equity in the losses of Fairways Frisco for the nine months ended September 30, 2005 of (\$442,000). The Company received no distributions from Fairways Frisco during the nine month period ended September 30, 2005. Summarized unaudited financial information for Fairways Frisco is included below:

	September 30, 2005
	<u> </u>
	(Unaudited)
Total assets	\$ 53,555,000
Notes payable	52,072,000
Minority interest	(1,576,000)
Total partnership capital	1,920,000
Total liabilities and partnership capital	53,555,000

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
	<u> </u>	<u> </u>
	(Unaudited)	(Unaudited)
Total revenue	\$ 519,000	\$ 830,000
Operating expenses	1,694,000	3,847,000
Interest expense	544,000	966,000
Equity in losses of Frisco Square Partnerships	-	(622,000)
Minority interest	688,000	1,576,000
Net loss	<u>\$ (1,031,000)</u>	<u>\$ (3,029,000)</u>

Equity in earnings (losses) of equity method investees shown in the condensed consolidated statement of operations comprised the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Ampco Partners, Ltd.	\$ 35,000	\$ 18,000	\$ 95,000	\$ 57,000
Fairways 03 New Jersey, LP	42,000	55,000	136,000	156,000
Fairways 36864, L.P.	-	36,000	-	36,000
Fairways Frisco, L.P.	(152,000)	-	(442,000)	-
	<u>\$ (75,000)</u>	<u>\$ 109,000</u>	<u>\$ (211,000)</u>	<u>\$ 249,000</u>

As of September 30, 2005, the Company has made aggregate capital contributions of \$1.22 million to Fairways Frisco, L.P., which represents approximately 15% of the aggregate capital contributions received by Fairways Frisco, L.P. The Company has made no additional capital contributions subsequent to September 30, 2005. Fairways Frisco, L.P. is expected to request additional capital contributions from its limited partners. Currently, the Company does not intend to fund any additional capital requested from Fairways Frisco, L.P., although it may choose to do so depending on its available funds. As a result, the Company's \$1.22 million investment will be reduced as a percentage of the limited partnership interests of Fairways Frisco and the Frisco Square Partnerships (indirectly through Fairways Frisco).

On January 7, 2005, the Company filed a Current Report on Form 8-K (the "Initial Report") to report the Company's acquisition on December 31, 2004 of certain indirect interests in various partnerships (the "Frisco Square Partnerships") that own properties ("Properties") in the 150-acre Frisco Square mixed-use real estate development in Frisco, Texas, pursuant to that certain Master Agreement Regarding Frisco Square Partnerships, dated December 31, 2004 (the "Master Agreement"), all as described in the Initial Report. Additional information about this transaction was provided in Current Reports on Form 8-K filed on January 14, 2005 (the "January Report") and February 23, 2005 (the "February Report"). On March 16, 2005, the Company filed Amendment No. 1 to the Initial Report (the "March Report") to amend Item 1.01 of the January Report and the February Report to update the status of the capital contributions to Fairways Frisco, L.P., a Texas limited partnership ("Fairways Frisco"), and Item 9.01 of the Initial Report to update the status of the financial statements and pro forma financial information required under Item 9.01 of Form 8-K. On April 29, 2005, the Company filed Amendment No. 2 to the Initial Report to amend Item 1.01 of the January Report and the February Report to update the status of the Master Agreement entered into on December 31, 2004, update the status of capital contributions to Fairways Frisco, L.P. and to disclose certain other events related to Fairways Frisco and the Frisco Square Partnerships. On September 15, 2005, the Company filed a Current Report on Form 8-K that it had entered into a note payable agreement with Comerica Bank on September 13, 2005, the proceeds of which were used to fund an additional limited partnership investment in Fairways Frisco, L.P.

A detailed description of the Company's investment in Fairways Frisco and the Frisco Square Partnerships (prior to the events described in this Note 8) is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and in its Quarterly Reports on Form 10-Q for the periods ended March 31, 2005 and June 30, 2005.

In July 2005, the single tenant commercial real estate property indirectly and partially owned by Fairways 03 New Jersey, LP was put under an option agreement to be sold. If the potential buyer exercises the purchase option, the property is expected to be sold in December 2005. In connection with the execution of the option agreement, Fairways 03 New Jersey, LP received a non-refundable option payment.

This option payment was distributed to the limited partners on a pro-rata basis with their limited partnership interests. The Company received \$66,500 as its pro rata share of this option payment, and this amount was recorded as a reduction of its investment in Fairways 03 New Jersey, LP. The proceeds from sale, if the purchase option is exercised by the buyer, would be used to pay off the \$2.6 million in bank debt and the Company would have no further obligation under the indemnification agreement described in Note 10.

If the property is sold in December 2005, the Company's portion of the proceeds distributable to the limited partners of Fairways 03 New Jersey, LP is expected to be approximately \$900,000. A portion of these proceeds will be used to pay off the \$225,000 note payable to Comerica Bank.

9. Notes Payable

Notes payable comprised the following:

	September 30, 2005	December 31, 2004
Bank of Texas Credit Facility, secured by substantially all healthcare assets		
Term note A in the principal amount of \$1,000,000, interest at 6% per annum payable monthly, principal due in full in March 2007.	\$ 528,000	\$ 688,000
Term note B in the principal amount of \$4,000,000, interest at 6% per annum, principal and interest payable in monthly installments of \$44,408 over 35 months with a balloon payment of principal due in March 2007.	2,044,000	1,807,000
Term note C in the principal amount of \$529,539, interest at 6% per annum, principal and interest payable in monthly installments of \$5,579 over 35 months with a balloon payment of principal due in March 2007.	470,000	501,000
AmerisourceBergen Drug Corporation, unsecured note payable		
Unsecured note in the principal amount of \$750,000, interest at 6% per annum, principal and interest payable in monthly installments of \$6,329 over 59 months with a balloon payment of principal of \$576,000 due in March 2009.	702,000	726,000
Note payable Kevin Hayes, prior shareholder of CRESA Partners of Orange County, Inc. (predecessor to CRESA Partners of Orange County, LP, f/k/a The Staubach Company - West, Inc.)		
Acquisition note in the principal amount of \$6,900,000 due May 1, 2007, interest at Northern Trust Bank prime rate plus 0.5% (6.75% at September 30, 2005) payable monthly, principal payable quarterly from the Company's equity interest in the operating cash flow, as defined, of CRESA Partners of Orange County, LP, secured by subordinated security interest in substantially all assets of CRESA Partners of Orange County, LP.	6,632,000	6,900,000
Capital lease obligations, secured by office equipment	6,000	13,000
Comerica Bank term notes payable		
Term note payable in the principal amount of \$30,000, payable in 36 equal installments of \$928 through April 2008, interest payable at the fixed rate of 7%, secured by all property and equipment of Ascendant Solutions, Inc.	26,000	-
Unsecured term note payable in the principal amount of \$225,000, interest only payable monthly at the Comerica Bank prime rate plus 1.00% (6.75% at September 30, 2005), principal due on February 1, 2006.	225,000	-
	<u>10,633,000</u>	<u>10,635,000</u>
Less current portion	<u>(708,000)</u>	<u>(457,000)</u>
	<u>\$ 9,925,000</u>	<u>\$ 10,178,000</u>

The Term Note B payable to Bank of Texas excludes \$1,508,000 and \$1,976,000 at September 30, 2005 and December 31, 2004, respectively, which has been allocated to the discontinued operations of Park InfusionCare. An allocated amount of the notes payable to Bank of Texas which are based on a borrowing base equal to 84% of eligible accounts receivable and 50% of eligible inventory, as further defined in the agreement with Bank of Texas, have been included in Liabilities Related to Assets Held Available For Sale on the accompanying condensed consolidated balance sheets. If the Company is successful in its attempt to sell Park InfusionCare, DHI will pay down the Bank of Texas notes payable in accordance with these borrowing base requirements. Capital lease obligations above also excludes capital leases for equipment specifically used by Park InfusionCare.

The aggregate maturities of notes payable for the 12 months ended September 30 are as follows:

2006	\$	708,000
2007		9,349,000
2008		45,000
2009		531,000
Thereafter		-
	<u>\$</u>	<u>10,633,000</u>

10. Commitments and Contingencies

The Company leases its healthcare, real estate advisory services and corporate offices and certain pharmacy equipment under non-cancelable operating lease agreements. Certain leases contain renewal options and provide that the Company pay taxes, insurance, maintenance and other operating expenses. Total rent expense for operating leases was approximately \$208,000 and \$760,000 for the three and nine month periods ended September 30, 2005, respectively.

Future minimum lease payments under non-cancelable operating leases for the twelve months ending September 30 are as follows:

2006	\$	1,244,000
2007		1,051,000
2008		953,000
2009		972,000
2010		967,000
Thereafter		2,392,000
	<u>\$</u>	<u>7,579,000</u>

In January 2005, the Company agreed to indemnify the other partners of Fairways 03 New Jersey, LP (who are also the Fairways Members) for its 20% pro rata partnership interest of a guarantee of bank indebtedness which the partners provided to a bank. The Company estimated its obligation under this indemnification to be \$220,000 and recorded this amount as a contingent liability and an increase to its investment in limited partnerships. At the present time, the Company does not believe it is probable that any defaults will occur on the bank debt subject to this guaranty and indemnification. The Company's maximum liability, if any, under this limited indemnification is \$520,000. See Note 8 for additional information regarding the Company's indemnification obligation, including the pending sale of the single tenant commercial real estate property indirectly and partially owned by Fairways 03 New Jersey, LP.

11. Related Party Transactions

During the three months ended September 30, 2005, CRESA Capital Markets Group, LP, a subsidiary of the Company received approximately \$20,000 in cash advances from the 4 members of Fairways Equities, which were used to pay general operating expenses. The 4 members of Fairways Equities who each own 25% of its membership interests include James C. Leslie, the Chairman and principal shareholder of the Company, and Cathy Sweeney, Brant Bryan and David Stringfield, who are each shareholders of the Company as well as principals of CRESA Capital Markets Group, LP, a subsidiary of the Company (the "Fairways Members").

As of September 30, 2005, the total outstanding advances payable to the Fairways Members was \$108,000. These non-interest bearing advances are expected to be repaid only upon the receipt of revenues from Capital Markets real estate advisory transactions, which are expected to close later in 2005.

Effective September 1, 2005, CRESA Capital Markets Group, LP ("CRESA Capital Markets") entered into an advisory services agreement with Fairways Equities whereby Fairways Equities will provide all of the professional and administrative services required by CRESA Capital Markets. In exchange, Capital Markets will pay Fairways Equities an administrative fee of 25% of gross revenues and a compensation fee of 40% of gross revenues, as compensation to the principals working on the transaction that generated the corresponding revenues. Under the terms of the agreement, Fairways Equities assumed all of the administrative expenses, including payroll, of CRESA Capital Markets. Fairways Equities will only receive payments under the agreement if the Fairways Members close a real estate capital markets advisory transaction that generates revenue for CRESA Capital Markets. The impact of this agreement on CRESA Capital Markets is that it will have no administrative expenses or cash requirements unless it closes a revenue generating transaction.

12. Business Segment Information

The Company is organized in three segments: (i) healthcare, (ii) real estate advisory services and (iii) corporate and other businesses. The healthcare segment consists of the operations of DHI and the real estate advisory services segment consists of the operations of the CRESA Partners of Orange County LP and CRESA Capital Markets Group LP. Key measures used by the Company's management to evaluate business segment performance include revenue, cost of sales, gross profit, investment income and EBITDA. EBITDA is calculated as net income before deducting interest, taxes, depreciation and amortization. Although EBITDA is not a measure of actual cash flow because it does not consider changes in assets and liabilities that may impact cash balances, the Company believes it is a useful metric to evaluate operating performance.

Condensed statements of operations and balance sheet data for the Company's principal business segments for the three and nine month periods ended September 30, 2005 and 2004 are as follows (000's omitted):

Three Months Ended September 30,

	Healthcare		Real Estate Services		Corporate and Other		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
					(Restated)		(Restated)	
Revenue	\$ 7,298	\$ 6,979	\$ 2,464	\$ 2,852	\$ -	\$ -	\$ 9,762	\$ 9,831
Cost of sales	5,282	5,129	1,423	1,577	-	-	6,705	6,706
Gross profit	2,016	1,850	1,041	1,275	-	-	3,057	3,125
Other income	-	8	-	-	20	-	20	8
Equity in income (losses) of equity method investees	-	-	-	-	(75)	109	(75)	109
Income (loss) from continuing operations	\$ (23)	\$ (202)	\$ 195	\$ 323	\$ (346)	\$ (160)	\$ (174)	\$ (39)
Plus:								
Interest Expense (Income)	57	60	116	84	-	(8)	173	136
Taxes	-	-	30	43	17	-	47	43
Depreciation & Amortization	76	82	82	46	6	2	164	130
EBITDA from continuing operations	\$ 110	\$ (60)	\$ 423	\$ 496	\$ (323)	\$ (166)	\$ 210	\$ 270

Nine Months Ended September 30,

	Healthcare		Real Estate Services		Corporate and Other		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
					(Restated)		(Restated)	
Revenue	\$ 22,166	\$ 14,630	\$ 8,593	\$ 5,919	\$ -	\$ -	\$ 30,759	\$ 20,549
Cost of sales	16,242	10,754	5,254	3,098	-	-	21,496	13,852
Gross profit	5,924	3,876	3,339	2,821	-	-	9,263	6,697
Other income	4	8	-	-	55	-	59	8
Equity in income (losses) of equity method investees	-	-	-	-	(211)	249	(211)	249
Income (loss) from continuing operations	\$ (287)	\$ (284)	\$ 656	\$ 861	\$ (1,039)	\$ (657)	\$ (670)	\$ (80)
Plus:								
Interest Expense (Income)	168	123	326	146	(12)	(16)	482	253
Taxes	-	-	108	91	17	-	125	91
Depreciation & Amortization	217	133	227	64	11	5	455	202
EBITDA from continuing operations	\$ 98	\$ (28)	\$ 1,317	\$ 1,162	\$ (1,023)	\$ (668)	\$ 392	\$ 466

September 30,

	Healthcare		Real Estate Services		Corporate and Other		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
					(Restated)		(Restated)	
Total assets	\$ 7,928	\$ 9,809	\$ 10,319	\$ 10,069	\$ 1,700	\$ 787	\$ 19,632	\$ 20,665

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

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and notes thereto included elsewhere in this report together with the consolidated financial statements, notes and management's discussion contained in our Form 10-K for the year ended December 31, 2004.

Except for the historical information contained herein, the discussion in this report contains certain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our forward-looking statements are based on the current expectations of management, and we assume no obligation to update this information. The cautionary statements made in this report should be read as being applicable to all related forward-looking statements, wherever they appear in this report. Furthermore, see the Company's most recent Form 10-K for the year ended December 31, 2004, including the section titled "Risks Related to Our Business," "Risks Specific to Operating Subsidiaries," "Risks Related to Our Investments in Real Estate," and "Other Risks." These risks, uncertainties and other factors include, but are not limited to: limited funding and the difficulty of finding additional financing, if necessary; dependence on management; dependence on our small staff; the potential for a subsidiary to account for a significant percentage of our revenue; unforeseen acquisition costs; potential asset impairment charges; pending litigation; potential for future leveraged transactions; restrictions on use of net operating loss carryforwards; highly leveraged subsidiaries; inability to integrate and manage operating subsidiaries; pharmacy regulations; competition in the pharmacy industry; concentration of ownership and control; related party transactions; our stock has been delisted from The NASDAQ National Market; the success of real estate developments is dependent on tenants to generate lease revenues; the uncertainty inherent in real estate development; and illiquidity of real estate and reinvestment risk may reduce economic returns to investors.

In addition to the aforementioned risk factors, our future operating results are difficult to predict. Factors that are likely to cause varying results include our ability to profitably operate DHI and CPOC and to pay the principal and interest on the significant debt incurred to make these acquisition; our success with the investments in, and operations of Ampco, Capital Markets and our participation in Fairways transactions; the results of our investments in real estate; fluctuations in general interest rates; the availability and cost of capital to us; the existence and amount of unforeseen acquisition costs; and our ability to locate and successfully acquire or develop one or more business enterprises.

As discussed below under Discontinued Operations, the Company plans to exit the home infusion therapy business, which operated as part of its healthcare segment under the name Park InfusionCare. There are risks associated with the disposal of Park InfusionCare including, but not limited to our ability to find a qualified buyer, our ability to negotiate and complete the sale on terms that are acceptable and favorable and our ability to operate our remaining retail pharmacies profitably. If we are unsuccessful in addressing one or more of these risks, our financial results and financial position could be adversely affected.

The Company

Ascendant Solutions, Inc. ("we," "us," or "our Company") is a Delaware corporation with principal executive offices located at 16250 Dallas Parkway, Suite 205, Dallas, Texas 75248 (telephone number 972-250-0945). We are a diversified financial services company which is seeking to, or has invested in, or acquired, healthcare, manufacturing, distribution or service companies. We are organized in three segments: (i) healthcare, (ii) real estate advisory services and (iii) corporate and other businesses. A detailed discussion of our business segments is included in our Form 10-K for the year ended December 31, 2004.

Healthcare

Our healthcare segment consists of Dougherty's Holdings, Inc. ("DHI"), which operates specialty retail pharmacies and infusion therapy/specialty pharmacy services units. Based in Dallas, Texas, DHI operates (i) Dougherty's Pharmacy Inc. in Dallas, a specialty compounding pharmacy, (ii) three specialty pharmacies in the area between Houston and the Gulf of Mexico coast under the name "Medicine Man," and (iii) three infusion therapy facilities in Dallas, San Antonio and Houston, Texas under the name "Park InfusionCare." See Discontinued Operations below regarding the sale of Park InfusionCare.

Real Estate Advisory Services

Our real estate advisory services segment consists of (i) CRESA Capital Markets Group, L.P. a subsidiary 80% owned by us (ii) our wholly owned subsidiary ASDS of Orange County, Inc., a Delaware corporation f/k/a Orange County Acquisition Corp. (“ASDS”) and (iii) our 99% owned subsidiary CRESA Partners of Orange County, LP. (“CPOC”).

Revenue is recognized by our real estate advisory services segment generally upon execution of a lease contract and performance of any required services under the contract. As such, our real estate advisory services revenue stream is subject to variability from period to period based upon the timing of lease contract executions. Comparison of revenues and related cost of sales from period to period may not be indicative of the current or future performance of the underlying business.

Corporate & Other Businesses

Our corporate & other businesses segment includes investments in and results from investments in unconsolidated subsidiaries. The investments and investment results included in this segment are from the following entities: Ampco Partners, Ltd., Fairways Frisco, LP and Fairways Equities LLC.

Key measures used by the Company’s management to evaluate business segment performance include revenue, cost of sales, gross profit, investment income and EBITDA. EBITDA is calculated as net income before deducting interest, taxes, depreciation and amortization. Although EBITDA is not a measure of actual cash flow because it does not consider changes in assets and liabilities that may impact cash balances, the Company believes it is a useful metric to evaluate operating performance and has therefore included such measures in the discussion of operating results below.

Discontinued Operations

In September 2005, the Company determined that it would exit the home infusion therapy business, which operated as part of its healthcare segment under the name Park InfusionCare. This will allow DHI to devote undivided focus on its primary business, independent specialty retail pharmacies. In connection therewith, the Company retained a financial advisor to assist in marketing Park InfusionCare for sale. The financial advisor is currently in discussions with various interested buyers. The Company can provide no assurance that it will be able to find a buyer for Park InfusionCare, or to the extent a buyer is found, that a transaction on terms acceptable or favorable to the Company will be consummated. The Company has accounted for Park InfusionCare as a discontinued operation beginning in the third quarter of 2005.

The following table is a comparison of the results of the discontinued operations of Park InfusionCare for the three and nine month periods ended September 30, 2005 and 2004 (000's omitted):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenue	\$ 2,261	\$ 2,253	\$ 7,110	\$ 5,272
Cost of Sales	1,186	1,135	3,553	2,452
Gross Profit	1,075	1,118	3,557	2,820
Operating expenses	1,328	1,039	3,695	2,544
Interest income (expense), net	25	37	82	85
Charges related to discontinuance	230	-	230	-
Income (loss) from discontinued operations	\$ (508)	\$ 42	\$ (450)	\$ 191

Comparison of the Three Months Ended September 30, 2005 to the Three Months Ended September 30, 2004

Revenue for the three months ended September 30, 2005 increased only \$8,000 as compared to the same period in 2004. However, cost of sales increased \$51,000 due to higher drug cost therapies for patients at two of the Park InfusionCare locations.

Operating expenses increased \$289,000 due primarily to an increases in bad debt expense. The bad debt expense for the third quarter of 2004 was net of a \$300,000 credit to bad debt expense due to a reduction in the allowance for doubtful accounts, based on management's analysis of the overall collectibility of accounts receivable.

Charges related to discontinuance represents an estimated accrual for retention bonuses to be paid to employees of Park InfusionCare upon consummation of a sale transaction. In order to provide continuity of operations and staff, DHI has agreed to pay bonuses to various employees who continue to perform their duties through the date of the sale transaction. This accrued liability is an estimated amount and no amounts have been paid under this retention bonus plan.

Interest expense represents an allocated portion of interest expense incurred on the Bank of Texas notes payable. The allocation was based on the percentage of available borrowing base from Park InfusionCare compared to the total available borrowing base for DHI on a consolidated basis.

Comparison of the Nine Months Ended September 30, 2005 to the Nine Months Ended September 30, 2004

The nine month period ended September 30, 2004 includes the results of Park InfusionCare from the date of acquisition on March 24, 2004 through September 30, 2004, while the nine month period ended September 30, 2005 includes the results of Park InfusionCare for a full nine months. This difference accounts for the variances in the comparison of results for the nine month periods ended September 30, 2005 and 2004, other than the variances described above for the three month periods ended September 30, 2005 and 2004.

Results of Continuing Operations

Comparison of the Three Months Ended September 30, 2005 to the Three Months Ended September 30, 2004 (000's omitted)

	Three Months Ended September 30,					
	Healthcare			Real Estate Advisory Services		
	2005	2004	Dollar Change	2005	2004	Dollar Change
Revenue	\$ 7,298	\$ 6,979	\$ 319	\$ 2,464	\$ 2,852	\$ (388)
Cost of Sales	5,282	5,129	153	1,423	1,577	(154)
Gross Profit	2,016	1,850	166	1,041	1,275	(234)
Operating expenses	1,982	2,000	(18)	701	822	(121)
Equity in income (losses) of equity method investees	-	-	-	-	-	-
Other income	-	8	(8)	-	-	-
Interest income (expense), net	(57)	(60)	3	(116)	(84)	(32)
Gain (loss) on sale of equipment	-	-	-	-	-	-
Minority interests	-	-	-	1	(3)	4
Loss from equity method investments	-	-	-	-	-	-
Income tax provision	-	-	-	(30)	(43)	13
Income from continuing operations	\$ (23)	\$ (202)	\$ 179	\$ 195	\$ 323	\$ (128)
<i>Plus:</i>						
Interest (income) expense, net	\$ 57	\$ 60	\$ (3)	\$ 116	\$ 84	\$ 32
Income tax provision	-	-	-	30	43	(13)
Depreciation & Amortization	76	82	(6)	82	46	36
EBITDA from continuing operations	\$ 110	\$ (60)	\$ 170	\$ 423	\$ 496	\$ (73)

Three Months Ended September 30,

	Corporate & Other			Consolidated		
	2005	2004	Dollar Change	2005	2004	Dollar Change
Revenue	\$ -	\$ -	\$ -	\$ 9,762	\$ 9,831	\$ (69)
Cost of Sales	-	-	-	6,705	6,706	(1)
Gross Profit	-	-	-	3,057	3,125	(68)
Operating expenses	273	269	4	2,956	3,091	(135)
Equity in income (losses) of equity method investees	(75)	109	(184)	(75)	109	(184)
Other income	20	-	20	20	8	12
Interest income (expense), net	-	8	(8)	(173)	(136)	(37)
Gain (loss) on sale of equipment	-	-	-	-	-	-
Minority interests	(1)	(8)	7	-	(11)	11
Income tax provision	(17)	-	(17)	(47)	(43)	(4)
Income from continuing operations	\$ (346)	\$ (160)	\$ (186)	\$ (174)	\$ (39)	\$ (135)
<i>Plus:</i>						
Interest (income) expense, net	\$ -	\$ (8)	\$ 8	\$ 173	\$ 136	\$ 37
Income tax provision	17	-	17	47	43	4
Depreciation & Amortization	6	2	4	164	130	34
EBITDA from continuing operations	\$ (323)	\$ (166)	\$ (157)	\$ 210	\$ 270	\$ (60)

Healthcare

Revenue

Total revenue increased \$319,000 during the third quarter of 2005 to \$7,298,000. The increase of 4.6% in revenue is primarily comprised of an increase in revenue per prescription at the retail pharmacies as a result of increased drug pricing. The remaining increase in revenue is from increased sales of durable medical equipment, over the counter drugs and cosmetics.

Cost of sales/Gross profit

The cost of sales increased \$153,000, or 2.2% of revenue during the third quarter of 2005 to \$5,282,000. The increase is primarily attributable to the increase in revenue, offset by lower cost of sales as a percentage of revenue due to increased sales of lower cost generic drugs.

Gross profit increased \$166,000, or 2.4% of revenue compared to the third quarter of 2004. Gross profit was 27.6% of revenue in the third quarter of 2005 as compared to 26.5% for the third quarter of 2004. The reason for the increase in the gross profit percentage is due to increased sales of lower cost generic drugs.

Operating expenses

Operating expenses decreased \$18,000 from \$2,000,000 in the third quarter of 2004 to \$1,982,000 in the third quarter of 2005. The decrease in healthcare operating expenses includes decreased costs for payroll due to reductions in headcount at the corporate office and the retail pharmacies. The overall decrease in operating expenses is offset by increased expenditures for advertising, marketing and loss prevention at the retail pharmacy locations.

Depreciation and amortization

Depreciation and amortization expense decreased \$6,000 from \$82,000 in the third quarter of 2004 to \$76,000 in the third quarter of 2005, which includes \$45,000 of amortization of patient prescriptions which were recorded as an intangible asset acquired in the acquisition of the Park Assets. This intangible asset is being amortized over 3 years.

The comparable amortization expense recorded in the third quarter of 2004 was \$55,000. The increased amortization in the third quarter of 2004 results from adjustments to increase the purchase price of the Park assets by \$311,000 during the third and fourth quarters of 2004 for acquisition costs and adjustments to the fair value of receivables at the acquisition date. The overall decrease in depreciation expense is due to the ending of depreciation on fully depreciated assets.

Interest expense, net

Net interest expense was \$57,000 for the third quarter of 2005 compared to net interest expense of \$60,000 for the third quarter of 2004. The decrease in net interest expense is due to a decrease in the outstanding notes payable balances due to Bank of Texas and AmerisourceBergen.

Real Estate Advisory Services

Revenue

Revenue decreased 13.6% or \$388,000 from \$2,852,000 in the third quarter of 2004 to \$2,464,000 during the third quarter of 2005. The revenue for the third quarter of 2004 included fee revenue of \$214,000 earned by CRESA Capital Markets, compared to corresponding fee revenue of \$30,000 in the third quarter of 2005. The remaining decrease of \$204,000 in real estate advisory services revenue in the third quarter of 2005 is due to fewer commercial real estate brokered transactions closing during the quarter as compared to the same quarter in 2004.

Cost of Sales/Gross profit

Cost of sales was \$1,423,000 for the third quarter of 2005, representing 57.8% of revenue, compared to \$1,577,000 or 55.3% of revenues for the third quarter of 2004. Cost of revenue includes all direct costs, including broker commissions, incurred in connection with a real estate advisory transaction. The increase in cost of sales as a percentage of revenue over the third quarter of 2004 is due primarily to an increase in the percentage commission paid to brokers after the broker reaches a cumulative targeted revenue level.

Operating Expenses

Operating expenses decreased \$121,000 from \$822,000 in the third quarter of 2004 to \$701,000 for the third quarter of 2005. Operating expenses at CRESA Capital Markets decreased \$135,000 from the third quarter of 2004, which included a professional bonus expense of \$86,000. A professional bonus was not paid in the third quarter of 2005 due to the lack of revenues recorded in 2005. Operating expenses at CPOC increased \$14,000 due mostly to marketing and advertising expenditures.

Depreciation and amortization

Depreciation and amortization expense increased \$36,000 in the third quarter of 2005 as compared to the third quarter of 2004. The increase is due mostly to \$37,500 of amortization of non-compete agreements which were recorded as an intangible asset in connection with the acquisition of CPOC on May 1, 2004, and which are being amortized over their contractual life of 3 years. There was no comparable amortization expense recorded in the third quarter of 2004, as the Company did not complete its final allocation of the purchase price until the end of its 2004 fiscal year.

Interest expense, net

Interest expense, net is comprised of interest expense related to the debt assumed and incurred as part of the CPOC acquisition. Interest expense, net was \$116,000 for the third quarter of 2005, based on the Northern Trust Bank prime rate plus 0.50% on the outstanding balance of the CPOC Acquisition Note. The Northern Trust Bank prime rate was 6.75% at September 30, 2005. The interest expense incurred on the CPOC Acquisition Note payable to Kevin Hayes was \$116,000 for the third quarter of 2005 as compared to \$79,000 for the third quarter of 2004 due to an increase in the Northern Trust Bank prime rate of 2.00%.

Interest expense, net was \$84,000 for the third quarter of 2004, and included interest expense incurred on the CPOC Acquisition Note, a \$500,000 note payable to Kevin Hayes and a \$500,000 line of credit payable to Northern Trust Bank. All of these notes payable bore interest at the Northern Trust Bank prime rate, which was 4.75% at September 30, 2004.

Income tax provision

The state income tax expense was \$30,000 in the third quarter of 2005 as compared to \$43,000 in the third quarter of 2004. The decrease in the provision for California state income taxes is due to a decrease in the income before income taxes at CPOC. The Company's net operating loss carryforwards for Federal and state income tax purposes do not include any loss carryforwards available to offset California state income taxes.

Corporate & Other**Operating expenses**

Operating expenses increased \$4,000 from \$269,000 in the third quarter of 2004 to \$273,000 in the third quarter of 2005. The increase is primarily comprised of increased payroll from one additional professional staff in the third quarter of 2005, an increase in the amortization of deferred compensation in the third quarter of 2005 resulting from the issuance of restricted stock to directors and officers, offset by a decrease in accounting, legal and other professional fees as a result of fees related to two acquisitions in 2004.

Equity in income (losses) of equity method investees

The net equity in losses of equity method investments was \$75,000 for the third quarter of 2005. This represents the Company's equity in the net income (loss) of its limited partnership investments, including Ampco, Fairways 03 New Jersey, LP and Fairways Frisco. This amount included \$42,000 of income from distributions received representing the Company's share of earnings from its Fairways 03 New Jersey, LP investment compared to \$56,000 for the third quarter of 2004. The Company recorded income of \$35,000 from Ampco for the third quarter of 2005, representing the Company's investment share of Ampco earnings. In the third quarter of 2004, the Company received a distribution of \$27,000 from Ampco, of which \$18,000 was recorded as income representing the Company's investment share of Ampco earnings and \$10,000 was recorded as a reduction of the Company's investment asset in Ampco. The Company recorded equity in the net loss of Fairways Frisco of \$152,000 for the third quarter of 2005.

Other Income

The Company recorded other income in the third quarter of 2005 from the receipt of \$20,000 from Fairways Equities, LLC under an agreement whereby the Company receives 25% of certain fees earned by FEL.

Income tax Provision

The income tax provision of \$17,000 in the third quarter of 2005 is due to the payment of alternative minimum tax on the Company's final 2004 consolidated federal tax return filed in September 2005.

Comparison of the Nine Months Ended September 30, 2005 to the Nine Months Ended September 30, 2004 (000's omitted)

	Nine Months Ended September 30,					
	Healthcare			Real Estate Advisory Services		
	2005	2004	Dollar Change	2005	2004	Dollar Change
Revenue	\$ 22,166	\$ 14,630	\$ 7,536	\$ 8,593	\$ 5,919	\$ 2,674
Cost of Sales	16,242	10,754	5,488	5,254	3,098	2,156
Gross Profit	<u>5,924</u>	<u>3,876</u>	<u>2,048</u>	<u>3,339</u>	<u>2,821</u>	<u>518</u>
Operating expenses	6,047	4,043	2,004	2,278	1,657	621
Equity in income (losses) of equity method investees	-	-	-	-	-	-
Other income	4	8	(4)	-	-	-
Interest income (expense), net	(168)	(123)	(45)	(326)	(146)	(180)
Gain (loss) on sale of equipment	-	(2)	2	(1)	(15)	14
Minority interests	-	-	-	30	(51)	81
Loss from equity method investments	-	-	-	-	-	-
State income tax provision	-	-	-	(108)	(91)	(17)
Income from continuing operations	\$ (287)	\$ (284)	\$ (3)	\$ 656	\$ 861	\$ (205)
<i>Plus:</i>						
Interest (income) expense, net	\$ 168	\$ 123	\$ 45	\$ 326	\$ 146	\$ 180
Income tax provision	-	-	-	108	91	17
Depreciation & Amortization	<u>217</u>	<u>133</u>	<u>84</u>	<u>227</u>	<u>64</u>	<u>163</u>
EBITDA from continuing operations	\$ 98	\$ (28)	\$ 126	\$ 1,317	\$ 1,162	\$ 155

Nine Months Ended September 30,

	Corporate & Other			Consolidated		
	2005	2004	Dollar Change	2005	2004	Dollar Change
Revenue	\$ -	\$ -	\$ -	\$ 30,759	\$ 20,549	\$ 10,210
Cost of Sales	-	-	-	21,496	13,852	7,644
Gross Profit	-	-	-	9,263	6,697	2,566
Operating expenses	877	923	(46)	9,202	6,623	2,579
Equity in income (losses) of equity method investees	(211)	249	(454)	(211)	249	(460)
Other income	55	-	55	59	8	51
Interest income (expense), net	12	16	(4)	(482)	(253)	(229)
Gain (loss) on sale of equipment	-	-	-	(1)	(17)	16
Minority interests	(1)	1	(2)	29	(50)	79
Income tax provision	(17)	-	(17)	(125)	(91)	(34)
Income from continuing operations	\$ (1,039)	\$ (657)	\$ (382)	\$ (670)	\$ (80)	\$ (590)
<i>Plus:</i>						
Interest (income) expense, net	\$ (12)	\$ (16)	\$ 4	\$ 482	\$ 253	\$ 229
State income tax provision	17	-	17	125	91	34
Depreciation & Amortization	11	5	6	455	202	253
EBITDA from continuing operations	\$ (1,023)	\$ (668)	\$ (355)	\$ 392	\$ 466	\$ (74)

Healthcare

Revenue

Total revenue increased \$7,536,000 during the first nine months of 2005 to \$22,166,000 as the result of the inclusion of the DHI operations in the condensed consolidated results of operations for the full nine month period ended September 30, 2005, as compared to only a full second and third quarter in 2004 plus seven days after the date of acquisition in the first quarter of 2004 being included in the nine month period ended September 30, 2004.

Cost of sales/Gross profit

The cost of sales increased \$5,488,000 during the first nine months of 2005 to \$16,242,000 as the result of the inclusion of the DHI operations in the condensed consolidated results of operations for the full nine month period ended September 30, 2005, as compared to only a full second and third quarter in 2004 plus seven days after the date of acquisition in the first quarter of 2004 being included in the nine month period ended September 30, 2004.

Gross profit was \$5,924,000 or 26.7% of revenue during the first nine months of 2005 as compared to \$3,876,000 or 26.5% of revenue during the first nine months of 2004. The increase of \$2,048,000 was primarily the result of the inclusion of the DHI operations in the condensed consolidated results of operations for the full nine month period ended September 30, 2005, as compared to only a full second and third quarter in 2004 plus seven days after the date of acquisition in the first quarter of 2004 being included in the nine month period ended September 30, 2004.

Operating expenses

Operating expenses increased \$2,004,000 from \$4,043,000 during the first nine months of 2004 to \$6,047,000 during the first nine months of 2005. The increase was primarily the result of the inclusion of the DHI operations in the condensed consolidated results of operations for the full nine month period ended September 30, 2005, as compared to only a full second and third quarter in 2004 plus seven days after the date of acquisition in the first quarter of 2004 being included in the nine month period ended September 30, 2004.

Depreciation and amortization

Depreciation and amortization expense increased \$84,000 from \$133,000 during the first nine months of 2004 to \$217,000 during the first nine months of 2005. The increase was primarily the result of the inclusion of the DHI operations in the condensed consolidated results of operations for the full nine month period ended September 30, 2005, as compared to only a full second and third quarter in 2004 plus seven days after the date of acquisition in the first quarter of 2004 being included in the nine month period ended September 30, 2004. The increase includes \$136,000 of amortization of patient prescriptions which were recorded as an intangible asset acquired in the acquisition of the Park Assets. This intangible asset is being amortized over 3 years. The comparable amortization expense recorded during the first nine months of 2004 was \$74,000. The increase in amortization results from adjustments to increase the purchase price of the Park assets by \$311,000 during the third and fourth quarters of 2004 for acquisition costs and adjustments to the fair value of receivables at the acquisition date.

Interest expense, net

Net interest expense was \$123,000 for the first nine months of 2004 compared to net interest expense of \$168,000 for the first nine months of 2005. The increase in net interest expense, was primarily the result of the inclusion of the DHI operations in the condensed consolidated results of operations for the full nine month period ended September 30, 2005, as compared to only a full second and third quarter in 2004 plus seven days after the date of acquisition in the first quarter of 2004 being included in the nine month period ended September 30, 2004. The increase in net interest expense is net of a decrease of \$3,000 in net interest expense during the third quarter of 2005 as compared to the third quarter of 2004, due to a decrease in the outstanding notes payable balances due to Bank of Texas and AmerisourceBergen.

Real Estate Advisory Services

Revenue

Revenue increased \$2,674,000 from \$5,919,000 during the first nine months of 2004 to \$8,593,000 during the first nine months of 2005. The revenue for the first nine months of 2004 included fee revenue of \$896,000 earned by CRESA Capital Markets, compared to corresponding fee revenue of \$48,000 earned by CRESA Capital Markets for the first nine months of 2005. The remaining \$5,023,000 of real estate advisory services revenue for the first nine months of 2004 represented fee revenue earned by CPOC for the period from the date of acquisition on May 1, 2004 through September 30, 2004. CPOC earned fee revenue of \$8,545,000 during the first nine months of 2005.

Cost of Sales/Gross profit

Cost of sales was \$5,254,000 for the first nine months of 2005, representing 61.1% of revenue, compared to \$3,098,000 or 52.3% of revenues for the first nine months of 2004. Cost of revenue includes all direct costs, including broker commissions, incurred in connection with a real estate advisory transaction. The increase of \$2,156,000 in cost of revenue over the first nine months of 2004 is due primarily to the inclusion of CPOC's cost of revenue for a full nine months ending September 30, 2005, as compared to only five months for the nine months ending September 30, 2004. CPOC was acquired by the Company on May 1, 2004. The increase of 8.8% in cost of sales as a percentage of revenue is primarily due to an increase in the percentage commission paid to brokers after the broker reaches a cumulative targeted revenue level.

Operating Expenses

Operating expenses increased \$621,000 from \$1,657,000 during the first nine months of 2004 to \$2,278,000 during the first nine months of 2005. This increase is net of a decrease of \$324,000 in selling, general and administrative expenses at Capital Markets due mostly to professional bonuses paid in the first nine months of 2004 from fees received in connection with a completed real estate advisory transaction. There were no professional bonuses paid on real estate advisory services transactions at Capital Markets in the first nine months of 2005. The increase in operating expenses also includes an increase of \$945,000 during the first nine months of 2005 as compared to the first nine months of 2004 due to the inclusion of CPOC's selling, general and administrative expenses and depreciation and amortization of \$2,036,000 for a nine months ending September 30, 2005, as compared to only five months for the nine months ending September 30, 2004. CPOC was acquired by the Company on May 1, 2004.

Depreciation and amortization

Depreciation and amortization expense increased \$162,000 during the first nine months of 2005 as compared to the first nine months of 2004. The increase is due to the inclusion of CPOC's depreciation and amortization for a full nine months ending September 30, 2005, as compared to only five months for the nine months ending September 30, 2004. CPOC was acquired by the Company on May 1, 2004.

The increase also includes \$112,500 of amortization of non-compete agreements which were recorded as an intangible asset in connection with the acquisition of CPOC on May 1, 2004, which are being amortized over their contractual life of 3 years. There was no comparable amortization expense recorded for the first nine months of 2004, as the Company did not complete its final allocation of the purchase price until the end of its 2004 fiscal year.

Interest expense, net

Interest expense, net is comprised of interest expense related to the debt assumed and incurred as part of the CPOC acquisition. Interest expense, net was \$326,000 for the nine months ending September 30, 2005, based on the Northern Trust Bank prime rate plus 0.50% on the outstanding balance of the CPOC Acquisition Note. The Northern Trust Bank prime rate was 6.75% at September 30, 2005. The interest expense incurred on the CPOC Acquisition Note payable to Kevin Hayes was \$331,000 for the first nine months of 2005 as compared to only \$132,000 for the first nine months of 2004 because the debt was outstanding for the five months from the date of the CPOC acquisition on May 1, 2004 to September 30, 2004, and due to an increase of 2.00% in the Northern Trust Bank prime rate..

Interest expense, net was \$146,000 for the nine months ending September 30, 2004, and included interest expense incurred on the \$6.9 million CPOC Acquisition Note, a \$500,000 note payable to Kevin Hayes and a \$500,000 line of credit payable to Northern Trust Bank. All of these notes payable bore interest at the Northern Trust Bank prime rate, which was 4.75% at September 30, 2004. The increase is also partially due to the inclusion of CPOC's interest expense for a full nine months ending September 30, 2005, as compared to only five months for the nine months ending September 30, 2004. CPOC was acquired by the Company on May 1, 2004.

Income tax provision

The state income tax expense was \$108,000 for the first nine months of 2005 as compared to only \$91,000 for the first nine months of 2004. This increase is due to California state income tax expense of CPOC for the full nine months ending September 30, 2005, as compared to only five months for the nine months ending September 30, 2004. CPOC was acquired by the Company on May 1, 2004. The Company's net operating loss carryforwards for Federal and state income tax purposes do not include any loss carryforwards available to offset California state income taxes.

Corporate & Other

Operating expenses

Operating expenses decreased \$46,000 from \$923,000 during the first nine months of 2004 to \$877,000 during the first nine months of 2005. The decrease is primarily comprised of (i) an increase in selling, general and administrative expenses of \$113,000 due to increased payroll from one additional professional staff in the first nine months of 2005, (ii) a decrease in accounting, legal and other professional fees of \$186,000 as a result of fees related to two acquisitions in 2004, and (iii) an increase of \$27,000 due to various increases in general and administrative costs including rent, insurance and stock compensation expense.

Equity in income (losses) of equity method investees

The net equity in losses of equity method investments was \$211,000 for the first nine months of 2005. This represents the Company's equity in the net income (loss) of its limited partnership investments, including Ampco, Fairways 03 New Jersey, LP and Fairways Frisco. This amount included \$136,000 of income from distributions received representing the Company's share of earnings from its Fairways 03 New Jersey, LP investment compared to \$156,000 for the first nine months of 2004. The Company received distributions of \$113,000 from Ampco during the first nine months of 2005, of which \$95,000 was recorded as income representing the Company's investment share of Ampco earnings and \$18,000 was recorded as a reduction of the Company's investment asset in Ampco. During the first nine months of 2004, the Company received distributions of \$84,000 from Ampco, of which \$57,000 was recorded as income representing the Company's investment share of Ampco earnings and \$26,000 was recorded as a reduction of the Company's investment asset in Ampco. The Company recorded equity in the net loss of Fairways Frisco of \$442,000 for the first nine months of 2005.

Liquidity and Capital Resources

As of September 30, 2005, we had working capital of approximately \$2.6 million as compared to approximately \$4.3 million at December 31, 2004. The decrease is primarily the result of investments in Fairways Frisco, L.P., increased trade accounts payable and the payment of accrued expenses. The working capital of \$4.3 million at December 31, 2004 reflects the adjustments resulting from the classification of Park InfusionCare as a discontinued operation held available for sale.

As of September 30, 2005, we had cash and cash equivalents of approximately \$844,000 as compared to approximately \$1.9 million at December 31, 2004. The decrease is primarily the result of a decrease from cash flow used in operating activities for the nine month period ended September 30, 2005 of \$250,000, a decrease from cash used in investing activities and financing activities of \$1,026,000 and cash provided from financing activities of \$253,000. Cash used in investing activities was due to investments in Fairways Frisco, L.P. of \$1,066,000 and purchases of property and equipment of \$533,000. The property and equipment purchases include \$272,000 related to the remodeling of one of DHI's specialty pharmacy locations.

As discussed in Note 8 to the condensed consolidated financial statements contained herein, the single tenant commercial real estate property indirectly and partially owned by Fairways 03 New Jersey, LP was put under an option agreement to be sold. If the potential buyer exercises the purchase option, the property is expected to be sold in December 2005. In connection with the execution of the option agreement, Fairways 03 New Jersey, LP received a non-refundable option payment. This option payment was distributed to the limited partners on a pro-rata basis with their limited partnership interests. The Company received \$66,500 as its pro rata share of this option payment, and this amount was recorded as a reduction of its investment in Fairways 03 New Jersey, LP. If the property is sold in December 2005, the Company's portion of the proceeds distributable to the limited partners of Fairways 03 New Jersey, LP is expected to be approximately \$900,000. A portion of these proceeds will be used to pay off the \$225,000 note payable to Comerica Bank and the remainder will be available for general corporate purposes.

As of September 30, 2005, the Company has made aggregate capital contributions of \$1.22 million to Fairways Frisco, L.P., which represents approximately 15% of the aggregate capital contributions received by Fairways Frisco, L.P. The Company has made no additional capital contributions subsequent to September 30, 2005. Fairways Frisco, L.P. is expected to request additional capital contributions from the limited partners. The Company does not intend to fund any additional capital requested from Fairways Frisco, L.P. As a result, the Company's \$1.22 million investment will be reduced as a percentage of the limited partnership interests of Fairways Frisco and the Frisco Square Partnerships (indirectly through Fairways Frisco). We are not obligated to invest any additional funds if Fairways Frisco makes a capital call for additional cash, although we may choose to do so depending on our available funds. However, if we do not participate in additional capital calls, our limited partnership interest will be diluted.

Our future capital needs are uncertain. Although management projects positive cash flow after debt service based on anticipated operations of our recently acquired businesses, there can be no assurances that this will occur. The Company may or may not need additional financing in the future to fund operations. We do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on terms favorable to stockholders.

Cash Flow

Since December 31, 2004, our cash balances have decreased by approximately \$1,023,000. This decrease is primarily due to our purchases of property and equipment and investments in Fairways Frisco described above.

Tax Loss Carryforwards

At December 31, 2004, we had approximately \$49 million of federal net operating loss carryforwards and \$39 million of state net operating loss carryforwards available to offset future taxable income, which, if not utilized, will fully expire from 2018 to 2023. We believe that the issuance of shares of our common stock pursuant to our initial public offering on November 15, 1999 caused an "ownership change" for purposes of Section 382 of the Internal Revenue Code of 1986, as amended. Consequently, we believe that the portion of our net operating loss carryforwards attributable to the period prior to November 16, 1999 is subject to an annual limitation pursuant to Section 382. Our total deferred tax assets have been fully reserved as a result of the uncertainty of future taxable income. Accordingly, no tax benefit has been recognized in the periods presented.

Off Balance Sheet Arrangements

The Company has guaranteed the CPOC Acquisition Note (as more fully described in the Company's Form 10-K for the year ended December 31, 2004) in the original amount of \$ 6.9 million in connection with its acquisition of CRESA Partners of Orange County, Inc. on May 1, 2004. The Acquisition Note is payable from the excess cash flows of ASDS over a three year period. During the nine month period ended September 30, 2005, there were normal principal payments of \$ 268,000 on the Acquisition Note and there were no payments required under the terms of the Company's guarantee.

In January 2005, the Company agreed to provide a limited indemnification to its partners in the Fairways 03 New Jersey LP investment for any losses those partners may incur under their personal guaranties of the partnership's bank indebtedness. The Company's partners in this investment are the Fairways Members. The Company's indemnification to these 4 partners is limited to \$520,000 in the aggregate, which is its 20% pro rata partnership interest of the \$2.6 million in bank debt that was guaranteed by the individuals. The Company estimated its obligation under this indemnification to be \$220,000 and recorded this amount as a contingent liability and an increase to its investment in limited partnerships. At the present time, the Company does not believe it is probable that any defaults will occur on the bank debt subject to this guaranty and indemnification. As discussed in Note 14 to the condensed consolidated financial statements contained herein, the real estate property owned indirectly by Fairways 03 New Jersey LP is under option to be sold in December 2005. The proceeds from sale, if the purchase option is exercised by the buyer, would be used to pay off the \$2.6 million in bank debt and the Company would have no further obligation under the indemnification agreement.

Disclosures About Contractual Obligations and Commercial Commitments

A summary of our contractual commitments under debt and lease agreements and other contractual obligations from continuing operations at September 30, 2005 and the effect such obligations are expected to have on liquidity and cash flow in future periods appears below. This is all forward-looking information and is subject to the risks and qualifications set forth at the beginning of Item 2.

Contractual Obligations From Continuing Operations As of September 30, 2005

	Payments due by Period				Total
	Less than 1 year	1-3 Years	3-5 Years	More than 5 years	
Lease Obligations	\$ 1,244,000	\$ 2,004,000	\$ 1,939,000	\$ 2,392,000	\$ 7,579,000
Notes Payable	708,000	9,394,000	531,000	-	10,633,000
Total	\$ 1,952,000	\$ 11,398,000	\$ 2,470,000	\$ 2,392,000	\$ 18,212,000

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to long-term investments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following accounting policies and the related judgments and estimates affect the preparation of our consolidated financial statements.

Long-Term Investments

Equity method investments in limited partnerships include the Company's investments in Ampco, Fairways 03 New Jersey, L.P. and Fairways Frisco, L.P., and none represent investments in publicly traded companies. These investments are accounted for using the equity method of accounting for investments. The equity method is used as the Company does not have a majority interest and does not have significant influence over the operations or financial policies of the limited partnerships. Distributions received by the Company are recorded as investment income on the condensed consolidated statement of operations to the extent the distribution does not exceed the Company's proportionate share of the investee's earnings. Distributions in excess of the Company's proportionate share are recorded as a reduction of the Company's investment.

The Frisco Square Partnerships will require additional funding from Fairways Frisco in order to continue development of its real estate. However, the Company is not obligated to invest any additional funds if Fairways Frisco makes a capital call for additional cash. The Company expects its ownership percentage in Fairways Frisco will decline further if additional capital calls are received for Fairways Frisco's funding needs and the Company does not fund its pro-rata share of such funding needs. The Company does not expect to receive any distributions from Fairways Frisco for the foreseeable future.

The Company's recorded investment in Fairways 03 New Jersey, LP is due to its limited indemnification obligation to its partners in the Fairways 03 New Jersey LP investment for any losses those partners may incur under their personal guaranties of the partnership's bank indebtedness is subject to the provisions of FIN 45. In the first quarter of 2005, the Company estimated its obligation under this indemnification agreement to be \$220,000 and recorded this amount as a contingent liability and an increase to its investment in limited partnerships. At the present time, the Company does not believe it is probable that any defaults will occur on the bank debt subject to this guaranty and indemnification agreement. The Company's maximum liability, if any, under this limited indemnification is \$520,000.

Recent Accounting Pronouncements.

A discussion of recent accounting pronouncements applicable to the Company is included in the Company's Form 10-K for the year ended December 31, 2004.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We currently do not engage in commodity futures trading or hedging activities and do not enter into derivative financial instrument transactions for trading or other speculative purposes. We also do not currently engage in transactions in foreign currencies or in interest rate swap transactions that could expose us to market risk.

We are exposed to market risk from changes in interest rates with respect to the credit agreements entered into by our subsidiaries to the extent that the pricing of these agreements is floating. We are exposed to interest rate risk as the guarantor of ASDS's Acquisition Note, which bears interest payable monthly at the prime rate of Northern Trust Bank plus 0.50% per annum. We are also exposed to interest rate risk under the \$225,000 term note payable to Comerica Bank, which bears interest at the Comerica Bank prime rate plus 1.00%. If the effective interest rate under the Acquisition Note and the Comerica Bank term note were to increase by 100 basis points (1.00%), our annual financing expense would increase by approximately \$68,000, based on the average balances outstanding during the three month period ended September 30, 2005. A 100 basis points (1.00%) increase in market interest rates would decrease the fair value of our fixed rate debt by approximately \$83,000. We did not experience a material impact from interest rate risk during the three month and nine month periods ended September 30, 2005, respectively.

In addition, our ability to finance future acquisitions through debt transactions may be impacted if we are unable to obtain appropriate debt financing at acceptable rates. We are exposed to market risk from changes in interest rates through our investing activities. Our investment portfolio consists primarily of investments in high-grade commercial bank money market accounts.

The following table summarizes the financial instruments held by us at September 30, 2005, which are sensitive to changes in interest rates. At September 30, 2005, approximately 65.7% of our debt was subject to changes in market interest rates and was sensitive to those changes. Scheduled principal cash flows for debt outstanding at September 30, 2005 for the twelve months ending September 30 are as follows:

	<u>Fixed Rate</u>	<u>Variable</u>	<u>Total</u>
2006	\$ 483,000	\$ 225,000	\$ 708,000
2007	2,717,000	6,632,000	9,349,000
2008	45,000	-	45,000
2009	531,000	-	531,000
Thereafter	-	-	-
	<u>\$ 3,776,000</u>	<u>\$ 6,857,000</u>	<u>\$ 10,633,000</u>

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by rule 13a-15(b), the Company, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13a-15(d), the Company's management conducted an evaluation of the Company's internal control over financial reporting to determine whether changes occurred during the first fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the first nine months of 2005.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

However, due to the limited size of the Company's staff, there is inherently a lack of segregation of duties related to the authorization, recording, processing and reporting of transactions. We will continue to periodically assess the cost versus benefit of adding the resources that would improve segregation of duties and currently, with the concurrence of the board of directors, do not consider the benefits to outweigh the costs of adding additional staff in light of the limited number of transactions related to the company's operations.

PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 29, 2004, Bishopsgate Corp. and T.E. Millard filed a lawsuit in the 192nd District Court of Dallas County, Texas against us, our officers and directors, and Park Pharmacy's officers and directors claiming that we breached obligations to fund Bishopsgate's proposed purchase of the Park Assets.

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Mr. Millard filed a Chapter 13 bankruptcy case in Dallas, Texas on August 15, 2003. Millard's Chapter 13 bankruptcy case was converted to a Chapter 7 liquidation bankruptcy case on December 20, 2004. Upon the conversion of the bankruptcy case, Daniel J. Sherman was appointed Chapter 7 Trustee. In August 2005, the Company, its officers and directors and Park Pharmacy's officers and directors entered into a compromise and settlement agreement, which was approved by the bankruptcy court, whereby the defendants collectively paid \$80,000 to the bankruptcy Trustee in settlement of all claims. The Company's insurance carrier provided the funds for the Company's portion of the settlement amount, which was \$55,000.

In exchange for the settlement, and in satisfaction of the counterclaims filed against Millard and Bishopsgate Corp, the Company received all of the stock of Bishopsgate Corp. The stock has not been assigned any value in the Company's financial statements and it is held by a newly-formed entity, DM-ASD Holding, Co.

Between January 23, 2001 and February 21, 2001, five putative class action lawsuits were filed in the United States District Court for the Northern District of Texas against us, certain of our directors, and a limited partnership of which a director is a partner. The five lawsuits assert causes of action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, for an unspecified amount of damages on behalf of a putative class of individuals who purchased our common stock between various periods ranging from November 11, 1999 to January 24, 2000. The lawsuits claim that we and the individual defendants made misstatements and omissions concerning our products and customers.

In April 2001, the Court consolidated the lawsuits, and on July 26, 2002, plaintiffs filed a Consolidated Amended Complaint (“CAC”). We filed a motion to dismiss the CAC on or about September 9, 2002. On July 22, 2003, the Court granted in part and denied in part defendants’ motion to dismiss. On September 2, 2003, defendants filed an answer to the CAC. Plaintiffs then commenced discovery. On September 12, 2003, plaintiffs filed a motion for class certification, and on February 17, 2004, we filed our opposition. On July 1, 2004, the Court denied plaintiffs’ motion for certification. On August 23, 2005, the Fifth Circuit rejected plaintiffs’ claims, affirmed denial of class certification, and remanded the two individual plaintiffs’ claims to the district court. On October 25, 2005, the Fifth Circuit denied plaintiffs’ request for panel rehearing. The Fifth Circuit then ordered plaintiffs to pay defendants’ costs on appeal.

We continue to deny plaintiffs’ allegations and intend to vigorously defend ourselves. It is not possible at this time to predict whether we will incur any liability or to estimate the damages, or the range of damages, if any, that we might incur in connection with this lawsuit. Our insurance carriers are continuing to provide for the payment of our defense costs in connection with this case and intend to vigorously defend against the lawsuits.

We are also occasionally involved in other claims and proceedings, which are incidental to our business. We cannot determine what, if any, material affect these matters will have on our future financial position and results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 Certificate of Incorporation of Ascendant Solutions, Inc. (incorporated by reference from Exhibit 3.1 to our Form 8-K filed October 23, 2000, File no. 0-27945).
- 3.2 Bylaws of Ascendant Solutions, Inc. (incorporated by reference from Exhibit 3.2 to our Form 8-K filed October 23, 2000, File no. 0-27945).
- 10.1 Advisory Services Agreement between CRESA Capital Markets Group, LP, Fairways Equities, LLC and Ascendant Solutions, Inc. dated September 1, 2005.**
- 31.1 Written Statement of Chief Executive Officer and President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Written Statement of Vice President-Finance and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of Ascendant Solutions, Inc. Quarterly Report on Form 10-Q/A for the period ended September 30, 2005, by David E. Bowe as Chief Executive Officer and President pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.2 Certification of Ascendant Solutions, Inc. Quarterly Report on Form 10-Q/A for the period ended September 30, 2005, by Gary W. Boyd as Vice President-Finance 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.*

* Filed herewith.

** Incorporated herein by reference to the exhibits included in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005.

(b) Reports on Form 8-K

On September 15, 2005, the Company filed a Current Report on Form 8-K to report that it had entered into a note payable agreement with Comerica Bank on September 13, 2005, the proceeds of which were used to fund an additional limited partnership investment in Fairways Frisco, L.P.

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.

Date: January 13, 2006

ASCENDANT SOLUTIONS, INC.

By: /s/ David E. Bowe

David E. Bowe

President and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)

Date: January 13, 2006

ASCENDANT SOLUTIONS, INC.

By: /s/ Gary W. Boyd

Gary W. Boyd

Vice President-Finance and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

CERTIFICATIONS

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David E. Bowe, certify that:

1. I have reviewed Amendment No. 1 to the quarterly report on Form 10-Q/A of Ascendant Solutions, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we 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 quarterly report is being prepared;
 - (b) 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 quarterly report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 13, 2006

/s/ David E. Bowe

David E. Bowe

President and Chief Executive Officer

CERTIFICATIONS

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gary W. Boyd, certify that:

1. I have reviewed Amendment No. 1 to the quarterly report on Form 10-Q/A of Ascendant Solutions, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we 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 quarterly report is being prepared;
 - (b) 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 quarterly report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 13, 2006

/s/ Gary W. Boyd

Gary W. Boyd

Vice President-Finance and Chief Financial Officer

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