SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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PROTECTION ONE INC

CIK:**916230**| IRS No.: **931063818** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10-Q/A** | Act: **34** | File No.: **001-12181-01** | Film No.: **1524214**
SIC: **7380** Miscellaneous business services

Mailing Address
3900 SW MURRAY BLVD
BEAVERTON OR 97005

Business Address
6011 BRISTOL PARKWAY
CULVER CITY CA 90230
3103386930

PROTECTION ONE ALARM MONITORING INC

CIK:**916310**| IRS No.: **931065479** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10-Q/A** | Act: **34** | File No.: **001-12181** | Film No.: **1524215**
SIC: **7380** Miscellaneous business services

Mailing Address
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended September 30, 2000

or

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

For the transition period from _______ to _______

0-24780 (Commission File Number)	**33-73002-01** (Commission File Number)
PROTECTION ONE, INC. (Exact Name of Registrant As Specified In Its Charter)	**PROTECTION ONE ALARM MONITORING, INC.** (Exact Name of Registrant As Specified In Its Charter)
Delaware (State or Other Jurisdiction Of Incorporation or Organization)	**Delaware** (State or Other Jurisdiction of Incorporation or Organization)
93-1063818 (I.R.S. Employer Identification No.)	**93-1064579** (I.R.S. Employer Identification No.)
6011 Bristol Parkway, **Culver City, California 90230** (Address of Principal Executive Offices, Including Zip Code)	**6011 Bristol Parkway,** **Culver City, California 90230** (Address of Principal Executive Offices, Including Zip Code)
(310) 342-6300 (Registrant's Telephone Number, Including Area Code)	**(310) 342-6300** (Registrant's Telephone Number, Including Area Code)

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Indicate by check mark whether each of the registrants (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 such registrants were required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /

As of November 1, 2000, Protection One, Inc. had outstanding 126,305,100 shares of Common Stock, par value $0.01 per share. As of such date, Protection One Alarm Monitoring, Inc. had outstanding 110 shares of Common Stock, par value $0.10 per share, all of which shares were owned by Protection One, Inc. Protection One Alarm Monitoring, Inc. meets the conditions set forth in General Instructions H(1)(a) and (b) for Form 10-Q and is therefore filing this form with the reduced disclosure format set forth therein.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Form 10-Q are forward-looking statements. The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like the Company believes, anticipates, expects or words of similar meaning. Forward-looking statements describe the Company's future plans, objectives, expectations, or goals. Such statements address future events and conditions concerning capital expenditures, earnings, restructuring the dealer program and the methods of customer acquisition, the implementation of new financial and billing information systems, litigation, possible corporate restructurings, mergers, acquisitions, dispositions, liquidity and capital resources, compliance with debt covenants, interest, ability to enter new markets successfully and capitalize on growth opportunities, and accounting matters. What happens in each case could vary materially from what the Company expects because of such things as future economic conditions; legislative developments; the possible separation of Westar Industries, Inc. from Western Resources; the possible consummation of a strategic transaction by Western Resources; competitive markets; and other circumstances affecting anticipated operations, revenues and costs.

INTRODUCTORY NOTE−RESTATEMENT

Following extensive conversations with the Staff of the SEC which have been previously disclosed, we have restated our Consolidated Financial Statements as of December 31, 1999, 1998 and 1997 and for the years then ended and for each of the three fiscal quarters ended March 31, 2000, June 30, 2000, and September 30, 2000. This restatement primarily relates to the amortization of customer accounts acquired and amounts allocated to obligations assumed in the Westinghouse Security Systems (WSS) acquisition. A description of the adjustments which comprise the restatement is disclosed in Note 2 of the Consolidated Financial Statements filed with this Form 10-Q/A.

For the purpose of this Form 10-Q/A we have amended and restated in its entirety the September 30, 2000 Form 10-Q. In order to preserve the nature and the character of the disclosures as of the date of the original September 30, 2000 Form 10-Q, no attempt has been made in this Form 10-Q/A to modify or update such disclosures except as required to reflect the results of the restatement.

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PROTECTION ONE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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(Dollars in thousands, except per share amounts)

(Unaudited)

	September 30, 2000	December 31, 1999
		RESTATED NOTE 2
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,162	$ 7,658
Restricted cash	779	11,175
Marketable securities	–	6,664
Receivables, net	34,811	71,716
Inventories	10,861	12,908
Prepaid expenses	2,522	3,471
Related party tax receivable & current deferred taxes	57,304	59,456
Other assets	2,687	13,332
Total current assets	110,126	186,380
Property and equipment, net	47,480	60,912
Customer accounts, net	928,471	1,132,095
Goodwill, net	841,115	1,056,671
Other	50,918	76,500
Total assets	$ 1,978,110	$ 2,512,558
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 72,659	$ 35,498
Accounts payable	5,505	23,205
Accrued liabilities	43,659	74,248
Purchase holdbacks	4,541	20,213
Deferred revenue	47,556	61,149
Total current liabilities	173,920	214,313
Long-term debt, net of current portion	593,307	1,077,152
Other liabilities	307	4,173
Total liabilities	767,534	1,295,638
Commitments and contingencies (See Note 7)		
Stockholders' equity:		
Preferred stock, $0.10 par value, 5,000,000 authorized, none outstanding	–	–
Common stock, $0.01 par value, 150,000,000 shares authorized, 126,324,200 and 126,945,337 shares issued and outstanding at September 30, 2000 and December 31, 1999, respectively	1,270	1,269
Additional paid-in capital	1,380,637	1,358,978
Accumulated other comprehensive income, net	(633)	(1,805)
Accumulated deficit	(169,494)	(141,522)

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Treasury stock, at cost, 710,600 and no shares at September 30, 2000 and December 31, 1999 respectively	(1,204)	–
Total stockholders' equity	1,210,576	1,216,920
Total liabilities and stockholders' equity	$ 1,978,110	$ 2,512,558

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

PROTECTION ONE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Dollars in thousands, except for per share amounts)
(Unaudited)

	Nine Months Ended September 30,	
	2000	1999
	RESTATED NOTE 2	
Revenues:		
Monitoring and related services	$ 307,776	$ 381,770
Installation and rental	27,801	66,197
Total revenues	335,577	447,967
Cost of revenues:		
Monitoring and related services	94,545	95,985
Installation and rental	16,431	33,863
Total cost of revenues	110,976	129,848
Gross profit	224,601	318,119
Operating expenses:		
Selling expense	14,002	37,298
General and administrative expense	85,209	96,021
Amortization of intangibles and depreciation expense	170,217	177,774
Acquisition expense	8,924	21,932
Severance and other	3,050	4,308
Total operating expenses	281,402	337,333
Operating loss	(56,801)	(19,214)

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Other (income) expense:		
Interest expense, net	46,917	64,334
Gain on sale of Mobile Services Group	–	(17,249)
Other	(295)	(71)
Loss before income taxes and extraordinary gain	(103,423)	(66,228)
Income tax benefit	26,179	15,925
Loss before extraordinary gain	(77,244)	(50,303)
Extraordinary gain, net of tax effect of $26,531	49,273	–
Net loss	$ (27,971)	$ (50,303)
Other comprehensive income/(loss):		
Unrealized gain/(loss) on marketable securities, net of tax	$ 995	$ (3,888)
Unrealized gain/(loss) on currency translation, net of tax	177	(488)
Comprehensive loss	$ (26,799)	$ (54,679)
Loss per common share	$ (0.60)	$ (0.39)
Extraordinary gain per common share	$ 0.38	$ –
Net loss per common share	$ (0.22)	$ (0.39)
Weighted average common shares outstanding (in thousands)	126,962	126,872

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

PROTECTION ONE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Dollars in thousands, except for per share amounts) (Unaudited)

	Three Months Ended September 30,	
	2000	**1999**
		RESTATED NOTE 2
Revenues:		
Monitoring and related services	$ 94,790	$ 128,962
Installation and rental	4,837	21,911
Total revenues	99,627	150,873

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Cost of revenues:		
Monitoring and related services	31,567	37,780
Installation and rental	3,023	10,280
Total cost of revenues	34,590	48,060
Gross profit	65,037	102,813
Operating expenses:		
Selling expense	2,916	11,882
General and administrative expense	26,264	37,815
Amortization of intangibles and depreciation expense	52,158	86,624
Acquisition expense	2,248	10,298
Employee severance and other	–	2,309
Total operating expenses	83,586	148,928
Operating loss	(18,549)	(46,115)
Other (income) expense:		
Interest expense, net	13,826	22,319
Gain on sale of Mobile Services Group	–	(17,249)
Other	(5)	945
Loss before income taxes	(32,370)	(52,130)
Income tax benefit	8,195	16,101
Net loss	(24,175)	(36,029)
Other comprehensive loss:		
Unrealized loss on marketable securities, net of tax	$ –	$ (3,888)
Unrealized loss on currency translation, net of tax	(267)	(488)
Comprehensive loss	$ (24,442)	$ (40,405)
Net loss per common share	$ (0.19)	$ (0.28)
Weighted average common shares outstanding (in thousands)	126,581	126,890

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

PROTECTION ONE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2000	**1999**

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	RESTATED NOTE 2	
Cash flow from operating activities:		
Net loss	$ (27,971)	$ (50,303)
Adjustments to reconcile net loss to net cash provided by operating activities		
Extraordinary gain	(49,273)	–
Gain on sale of Mobile Services Group	–	(17,249)
Amortization and depreciation	170,217	177,774
Accretion of discount note interest	(2,595)	(5,057)
Deferred income taxes	(26,960)	(19,105)
Provision for doubtful accounts	12,943	16,933
Loss on sale of marketable securities	–	1,910
Other charges	(3,512)	(16,106)
Changes in assets and liabilities:		
Receivables, net	3,120	(17,505)
Other current assets	(9,617)	(1,120)
Accounts payable	(260)	5,302
Other liabilities	(21,204)	462
Net cash provided by operating activities	44,888	75,936
Cash flows from investing activities:		
Purchase of installed security systems, net	(27,456)	(207,657)
Purchase of property and equipment, net	(13,918)	(26,679)
Sale of European operations and other investments	183,025	2,722
Acquisition of alarm companies, net of cash received	–	(27,408)
Proceeds from sale of Mobile Services Group, net cash paid	–	19,087
Net cash provided by (used in) investing activities	141,651	(239,935)
Cash flows from financing activities:		
Repayments on Senior Credit Facility, net	(153,000)	–
Payments on long-term debt	(46,767)	–
Proceeds from long-term debt	6,087	171,725
Funding from Parent	1,508	434
Acquisition of Treasury Stock	(1,204)	–
Stock options and warrants exercised	160	273
Net cash provided by (used in) financing activities	(193,216)	172,432
Effect of exchange rate changes on cash and equivalents	181	643
Net increase (decrease) in cash and cash equivalents	(6,496)	9,076
Cash and cash equivalents:		
Beginning of period	7,658	10,025
End of period	$ 1,162	$ 19,101
Interest paid during the period	$ 63,683	$ 54,437

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Taxes paid during the period	$	514	$	285

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:

In the first quarter of 2000, the Company sold its European operations for $225,000 and certain investments for $19,000 to Westar Industries, Inc. (then named Westar Capital, Inc.). In exchange, the Company received $183,025 in cash and $60,975 market value of its outstanding bonds. Also in the first quarter of 2000, the Company received $14,985 market value of its bonds and a $14,198 note receivable from Westar Industries for payment of the Company's 1998 income tax receivable of $20,287 and an intercompany receivable of $8,896. Westar Industries repaid all but $223 of the note by delivering $13,975 in market value of the Company's debt securities in March and April of 2000. The balance of the note was repaid in April.

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

PROTECTION ONE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except per share amounts)
(Unaudited)

1. Basis of Consolidation and Interim Financial Information:

Protection One, Inc., a Delaware corporation ("Protection One" or the "Company"), is a holding company principally engaged through its subsidiaries in the business of providing security alarm monitoring services, which include sales, installation and related servicing of security alarm systems for residential and small business subscribers in North America, and until February 29, 2000, the United Kingdom and Continental Europe.

Westar Industries, Inc., formerly named Westar Capital, Inc., ("Westar Industries"), a wholly owned subsidiary of Western Resources, Inc. ("Western Resources"), owns approximately 85% of the Company's common stock. The accompanying unaudited consolidated financial statements include the accounts of Protection One and its wholly owned subsidiaries.

The Company's unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 1999, included in the Company's Annual Report on Form 10-K/A-2 filed with the Securities and Exchange Commission (the "SEC").

In the opinion of management of the Company, all adjustments considered necessary for a fair presentation of the financial statements have been included. The results of operations for the three and nine months ended September 30, 2000 are not necessarily indicative of the results to be expected for the full year.

The Company expects to adopt two new statements on January 1, 2001. SFAS No. 133 and No. 137, "Accounting for Derivative Instruments and Hedging Activities" establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. The statements require that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the derivative's fair value will be required to be recognized currently in earnings unless specific hedge accounting criteria are met.

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In addition, the statements will require the Company to formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The Company has not traditionally been required to utilize derivative instruments in managing its business. Therefore, management has not yet determined what, if any, impact these pronouncements will have upon adoption.

Certain reclassifications have been made to prior year information to conform with the current year presentation.

2. Restatement of Financial Statements:

Following extensive conversations with the staff of the SEC which have previously been disclosed, the Company has restated its Consolidated Financial Statements as of December 31, 1999, 1998 and 1997 and for the years then ended and for each of the three fiscal quarters ended March 31, 2000, June 30, 2000 and September 30, 2000. This restatement primarily relates to the amortization of

customer accounts acquired and amounts allocated to obligations assumed in the Westinghouse Security Systems (WSS) acquisition. A description of the principal adjustments which comprise the restatement is as follows:

The first adjustment reflects a change in the historical amortization expense recorded for customer accounts acquired in the WSS acquisition. The life of the acquired WSS customers was initially estimated at ten years. Straight-line amortization had originally been implemented. With the restatement, an eight-year estimated life and an accelerated amortization method will be used for customers acquired from WSS as of the acquisition date.

The second adjustment reverses a special charge of $12,750 for excess customer attrition that was recorded in the fourth quarter of 1997. This charge had been recorded for attrition experienced in the WSS customer account base in 1997.

The third adjustment reduces a repurchase obligation (SAMCO contract financing) to more closely match the estimated fair value of the obligation to the estimated fair value of WSS customer accounts on a per account basis. This change in valuation has the effect of reducing the obligation and goodwill and eliminating $14,837 of a non-recurring $16,348 pre-tax gain that was reported in 1998 when this obligation was repaid.

The fourth adjustment reduces goodwill as a result of a purchase price adjustment related to the WSS acquisition. Goodwill has been reduced by the amount of the claim made by our parent company of $33,772. A receivable had not originally been recorded for this claim. The change was made to establish this receivable by our parent which reduces recorded goodwill at the Company. Our parent entered into a comprehensive settlement agreement with Westinghouse in November 2000 and received $37,500.

A summary of the net effect of the restatement has been reflected in the appropriate quarterly results as follows:

	As Previously Reported		Restatement		As Restated	
	Amount	Earnings Per Share	Amount	Earnings Per Share	Amount	Earnings Per Share
	(Dollars in thousands, except for per share amounts)					
Loss before extraordinary gain						
For the nine months ended:						
September 30, 2000	$ (74,493)	$ (.58)	$ (2,751)	(.02)	$ (77,244)	$ (.60)
September 30, 1999	(53,445)	(.42)	3,142	.03	(50,303)	(.39)
Net loss						
For the nine months ended:						
September 30, 2000	$ (25,220)	$ (.20)	$ (2,751)	$ (.02)	$ (27,971)	$ (.22)
September 30, 1999	(53,445)	(.42)	3,142	.03	(50,303)	(.39)

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	As Previously Reported		Restatement		As Restated	
	Amount	Earnings Per Share	Amount	Earnings Per Share	Amount	Earnings Per Share
	(Dollars in thousands, except for per share amounts)					
Loss before extraordinary gain						
For the three months ended:						
September 30,2000	$ (23,257)	$ (.18)	$ (918)	$ (.01)	$ 24,175)	$ (.19)
September 30, 1999	(40,986)	(.32)	4,957	.04	(36,029)	(.28)
Net loss						
For the three months ended:						
September 30, 2000	$ (23,257)	$ (.18)	$ (918)	$ (.01)	$ (24,175)	$ (.19)
September 30, 1999	(40,986)	(.32)	4,957	.04	(36,029)	(.28)

A summary of the significant effects of the restatement for the nine-month periods ending September 30, 2000 and 1999 identified above is as follows:

	As Previously Reported	Restatement Adjustments: WSS Accelerated Amortization	Special Charge	SAMCO Repurchase Obligation	WSS Goodwill Reduction	As Restated
	(Dollars in thousands, except for per share amounts)					
At September 30, 2000:						
Customer Accounts, net	$ 941,652	$ (25,931)	$ 12,750	$ –	$ –	$ 928,471
Goodwill, net	884,256	–	–	(13,280)	(29,861)	841,115
Other long-term assets (including deferred taxes)	43,025	9,076	(4,462)	4,648	(1,369)	50, 918
Retained losses	(154,837)	(16,855)	8,288	(8,632)	2,542	(169,494)
Additional paid-in-capital	1,414,409	–	–	–	(33,772)	1,380,637
For the nine months ended September 30, 2000:						
Amortization of intangibles and depreciation expense	$ 165,984	$ 6,209	$ –	$ (598)	$ (1,378)	$ 170,217
Loss before extraordinary item	(74,493)	(4,036)	–	389	896	(77,244)
Income tax (expense) benefit	24,697	2,173	–	(209)	(482)	26,179
Net loss	(25,220)	(4,036)	–	389	896	(27,971)
Net Loss per common share	(.20)	(.03)	–	–	.01	(.22)
For the nine months ended September 30, 1999:						
Amortization of intangibles and depreciation expense	$ 182,606	$ (3,921)	$ –	$ (278)	$ (633)	$ 177,774
Loss before extraordinary item	(53,445)	2,549	–	181	412	(50,303)

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Income tax (expense) benefit	17,615	(1,371)	–	(97)	(222)	15,925
Net loss	(53,445)	2,549	–	181	412	(50,303)
Net Loss per common share	(.42)	.02	–	–	.01	(.39)

Prior to this restatement, during the third quarter of 1999 the Company changed its amortization method for its customer account intangible assets from a straight-line to an accelerated method to more closely match future amortization cost with the estimated revenue stream from these assets. The effect of the change in accounting principle increased amortization expense reported in the third quarter of 1999 by $47,000. The change in the WSS customer account amortization method restates the results of 1997, 1998 and 1999 and thereby reduces the cumulative charge recorded in the third quarter of 1999.

3. Change in Accounting Estimate:

The excess of the cost over the fair value of net assets of businesses acquired is recorded as goodwill. The Company has historically amortized goodwill on a straight-line basis over 40 years. In the first quarter of 2000, the Company re-evaluated the original assumptions and rationale utilized in the establishment of the carrying value and estimated useful life of goodwill. The Company concluded that due to continued losses, increased levels of attrition experienced in 1999 and other factors, the estimated useful life of goodwill should be reduced from 40 years to 20 years. As of January 1, 2000, the remaining goodwill, net of accumulated amortization, is being amortized over its remaining useful life based on a 20-year life. The resulting increase in annual goodwill amortization on the Company's existing account base will be approximately $23,000 for North America and $6,000 for Multifamily. The additional goodwill recorded for Europe prior to its sale on February 29, 2000 was approximately $1,000.

The change in estimate resulted in additional goodwill amortization for the three months and nine months ended September 30, 2000 of $6,855 and $21,541 respectively. The resulting reduction to net income for those periods was $6,075 and $19,200 respectively, or a decrease in earnings per share of $0.05 and $0.15, respectively.

Goodwill amortization expense for the nine months ended September 30, 2000 and September 30, 1999, was $39,907 and $22,278, respectively. Goodwill amortization expense for the three months ended September 30, 2000 and September 30, 1999, was $12,815 and $6,935, respectively.

4. Pro Forma Financial Information:

The following unaudited pro forma consolidated results of operations for the nine months ended September 30, 2000 and September 30, 1999 assume the sale of the European operations occurred on January 1, 1999.

	Nine Months Ended September 30,	
	2000	**1999**
		RESTATED NOTE 2
Revenues	$ 307,673	$ 325,574
Loss before extraordinary item	(73,206)	(42,290)
Net loss	(23,934)	(42,290)
Net loss per common share (basic and diluted):		
Loss before extraordinary item	(0.58)	(0.33)
Net loss	(0.19)	(0.33)

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The pro forma financial information is not necessarily indicative of the results of operations had the sale of the European operations to Westar Industries been reflected for the entire period, nor do they purport to be indicative of results which will be obtained in the future.

The following unaudited proforma consolidated assets and liabilities as of December 31, 1999 assume the sale occurred on December 31, 1999.

	December 31, 1999 RESTATED NOTE 2
Total assets	$ 2,201,802
Total liabilities	1,078,570

5. Customer Accounts:

The following reflects the changes in the Company's investment in customer accounts (at cost) for the following periods:

	Nine Months Ended September 30, 2000	Year Ended December 31, 1999
	RESTATED NOTE 2	
Beginning customer accounts, net	$ 1,132,095	$ 1,022,863
Acquisition of customer accounts, net	28,846	333,195
Amortization of customer accounts, net	(110,886)	(187,092)
Purchase holdbacks and other	(13,778)	(36,871)
Sale of European operations	(107,806)	–
Total customer accounts	$ 928,471	$ 1,132,095

Accumulated amortization of the investment in customer accounts at September 30, 2000 and December 31, 1999 was $411,182 and $303,787 respectively. At December 31, 1999 accumulated amortization excluding Europe was $303,586.

In conjunction with certain purchases of customer accounts, the Company withholds a portion of the purchase price as a reserve to offset qualifying losses of the acquired customer accounts for a specified period as provided for in the purchase agreements, and as a reserve for purchase price settlements of assets acquired and liabilities assumed. The estimated amount to be paid at the end of the holdback period is capitalized and an equivalent current liability established at the time of purchase. As of September 30, 2000 and December 31, 1999, purchase holdbacks were $4,541 and $20,213, respectively.

6. Debt:

During the first nine months of 2000, the Company reduced outstanding debt by $444,459. The reduction included extinguishing debt securities in the face amount of $221,349 for less than carrying value resulting in an extraordinary gain of $49,273 net of tax of $26,531. The decrease resulted primarily from the $183,025 reduction of the Senior Credit Facility and the extinguishment of $134,552 in debt securities received in the sale of the European operations. In the second quarter of 2000, the Company used available cash and borrowings under the Senior Credit Facility to purchase $70,497 of debt securities from Westar Industries and in open market transactions for less than carrying

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value resulting in an extraordinary gain of $17,347 net of tax of $9,340. In the third quarter of 2000, the Company increased borrowings under the Senior Credit Facility by $2,000. See Note 9 below.

As of September 30, 2000 and December 31, 1999, total borrowings under the Senior Credit Facility were $72,000 and $225,000, respectively. The remaining availability under this facility as of September 30, 2000 and December 31, 1999 was $43,000 and $25,000, respectively. The Company's ability to borrow under the facility is subject to compliance with certain financial covenants, including a leverage ratio of 5.75 to 1.0 and an interest coverage ratio of 2.10 to 1.0. At September 30, 2000, these ratios were approximately 4.6 to 1.0 and 2.5 to 1.0, respectively.

The indentures governing the Company's outstanding senior and subordinated notes contain similar covenants with different calculations relating to the Company's ability to incur indebtedness. The Company is in compliance with all covenants contained in these indentures.

7. Commitments and Contingencies:

The Company, its subsidiary Protection One Alarm Monitoring, Inc. ("Monitoring"), and certain present and former officers and directors of Protection One are defendants in a purported class action litigation pending in the United States District Court for the Central District of California, *Ronald Cats, et al v. Protection One, Inc., et al.,* No CV 99-3755 DT (RCx). Pursuant to an Order dated August 2, 1999, four pending purported class actions were consolidated into a single action. In March 2000, plaintiffs filed a Second Consolidated Amended Class Action Complaint ("Amended Complaint"). Plaintiffs purport to bring the action on behalf of a class consisting of all purchasers of publicly traded securities of Protection One, including common stock and notes, during the period of

February 10, 1998 through November 12, 1999. The Amended Complaint asserts claims under Section 11 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 against Protection One, Monitoring, and certain present and former officers and directors of Protection One based on allegations that various statements concerning Protection One's financial results and operations for 1997 and 1998 were false and misleading and not in compliance with generally accepted accounting principles. Plaintiffs allege, among other things, that former employees of Protection One have reported that Protection One lacked adequate internal accounting controls and that certain accounting information was unsupported or manipulated by management in order to avoid disclosure of accurate information. The Amended Complaint further asserts claims against Western Resources and Westar Industries as controlling persons under Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. A claim is also asserted under Section 11 of the Securities Act of 1933 against Protection One's auditor, Arthur Andersen LLP. The Amended Complaint seeks an unspecified amount of compensatory damages and an award of fees and expenses, including attorneys' fees. On June 12, 2000, the Company and the other defendants filed motions to dismiss in part the Amended Complaint. On August 31, 2000, the plaintiffs filed their papers in opposition to our motions. These motions are currently pending. The Company believes that all the claims asserted in the Amended Complaint are without merit, however the Company cannot currently predict the impact of this litigation which could be material.

Six former Protection One dealers have filed a class action lawsuit in the U. S. District Court for the Western District of Kentucky alleging breach of contract because of the Company's interpretation of their dealer contracts. The action is styled *Total Security Solutions, Inc., et al. v. Protection One Alarm Monitoring, Inc.*, Civil Action No. 3:99CV-326-H (filed May 21, 1999). In September 1999, the Court granted Protection One's motion to stay the proceeding pending the individual plaintiff's pursuit of arbitration as required by the terms of their agreements. On June 23, 2000, the Court denied plaintiffs' motion to have collective arbitration. On or about October 4, 2000, notwithstanding the Court's denial of plaintiffs' motion to have collective arbitration, the six former dealers filed a Motion to Compel Consolidated Arbitration with the American Arbitration Association ("AAA").

Other Protection One dealers have filed or threatened litigation or arbitration based upon a variety of theories surrounding calculations of holdback and other payments. The Company believes it has complied with the terms of these contracts and although the Company believes that no individual such claim will have a material adverse effect, the Company cannot currently predict the aggregate impact of these disputes with dealers which could be material.

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On October 2, 2000, the Company, as successor-in-interest to Centennial Security, Inc., was served with a demand for arbitration by Crimebusters, Inc., before the AAA wherein Crimebusters is seeking $7,000 in damages due to alleged defaults by the Company under an asset purchase agreement between Crimebusters, *et al* and Centennial Security, Inc. The Company has filed claims alleging fraud, willful misconduct and breach of contract against Crimebusters, *et al* in the United States District Court for the District of Connecticut, *Protection One Alarm Monitoring, Inc. v Crimebusters, Inc., First Federal Security Systems, Inc. and Anthony Perrotti, Jr.*, Civil Action No. 300CV-1932DJS, and in addition has demanded that Crimebusters withdraw the demand for arbitration, and requested of AAA that the arbitration action be dismissed or indefinitely stayed pending the resolution of the District Court

litigation. The ultimate outcome cannot presently be determined and the Company cannot currently predict the impact of this litigation which could be material.

The Company is a party to claims and matters of litigation incidental to the normal course of its business. Additionally, the Company receives notices of consumer complaints filed with various state agencies. The Company has developed a dispute resolution process for addressing these administrative complaints. The ultimate outcome of such matters cannot presently be determined; however, in the opinion of management of the Company, the resolution of such matters will not have a material adverse effect upon the Company's consolidated financial position or results of operations.

8. Segment Reporting:

The Company's reportable segments include North America, Multifamily and until February 29, 2000, Europe. North America provides residential, commercial and wholesale security alarm monitoring services, which include sales, installation and related servicing of security alarm systems in the United States and Canada. Multifamily provides security alarm services to apartments, condominiums and other multi-family dwellings. The Europe segment provided security alarm services to residential and business customers in Europe.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the Company's 1999 Form 10-K/A-2. The Company manages its business segments based on earnings before interest, income taxes, depreciation and amortization (EBITDA).

Nine Months Ended September 30, 2000
(Dollars in thousands)
RESTATED
NOTE 2

	North America	Multifamily	Europe(2)	Consolidated
Revenues	$ 277,828	$ 29,845	$ 27,904	$ 335,577
EBITDA	96,905	13,161	6,400	116,466
Amortization of intangibles and depreciation expense	153,153	11,644	5,420	170,217
Other(1)	3,050	–	–	3,050
Operating income (loss)	(59,298)	1,517	980	(56,801)
Subscriber capital expenditures	20,812	4,332	2,312	27,456

Nine Months Ended September 30, 1999
(Dollars in thousands)

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RESTATED
NOTE 2

	North America	Multifamily	Europe	Consolidated
Revenues	$ 296,676	$ 28,898	$ 122,393	$ 447,967
EBITDA	115,170	12,170	35,528	162,868
Amortization of intangibles and depreciation expense	148,699	7,003	22,072	177,774
Other(1)	4,308	–	–	4,308
Operating income (loss)	(37,837)	5,167	13,456	(19,214)
Subscriber capital expenditures	195,277	6,783	5,597	207,657

Three Months Ended September 30, 2000
(Dollars in thousands)
RESTATED
NOTE 2

	North America	Multifamily	Europe(2)	Consolidated
Revenues	$ 89,372	$ 10,255	$ –	$ 99,627
EBITDA	28,685	4,924	–	33,609
Amortization of intangibles and depreciation expense	48,233	3,925	–	52,158
Other(1)	–	–	–	–
Operating income (loss)	(19,548)	999	–	(18,549)
Subscriber capital expenditures	5,191	1,322	–	6,513

Three Months Ended September 30, 1999
(Dollars in thousands)
RESTATED
NOTE 2

	North America	Multifamily	Europe	Consolidated
Revenues	$ 99,810	$ 9,667	$ 41,396	$ 150,873
EBITDA	26,800	4,025	11,993	42,818
Amortization of intangibles and depreciation expense	73,029	2,388	11,207	86,624
Other(1)	2,309	–	–	2,309
Operating income (loss)	(48,538)	1,637	786	(46,115)
Subscriber capital expenditures	51,734	2,249	(897)	53,086

(1)
"Other" includes employee severance in 1999, and employee severance and costs related to the sale of the European operations in 2000.

(2)
Information for Europe is for the two months ended February 29, 2000.

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9. Related Party Transactions:

The Company was a party to a marketing agreement with Paradigm Direct LLC ("Paradigm") which was terminated as of September 30, 2000. Westar Industries has a 40% ownership interest in Paradigm. For the three and nine months ended September 30, 2000, the Company expensed $1,638 and $4,290 for marketing services provided by Paradigm pursuant to the marketing agreement. At September 30, 2000, the Company has a net balance due to Paradigm of approximately $400 for these services. Beginning in September 2000, the Company is managing all marketing related projects in-house.

For the three and nine months ended September 30, 2000, the Company incurred charges of approximately $2,175 and $4,674, respectively, for administrative and other services provided by Western Resources pursuant to a service agreement. At September 30, 2000, the Company had a net intercompany balance due to Western Resources of $618 primarily for these services.

At September 30, 2000, the Company had outstanding borrowings of $72,000 from the Senior Credit Facility with Westar Industries. During the nine months ended September 30, 2000, interest expense of $6,297 was accrued on borrowings from this facility and total interest payments of $6,696 were made to Westar Industries.

The Company acquired approximately $59,520 of its outstanding debt securities from Westar Industries during the first six months of 2000. These purchases resulted in an extraordinary gain of $15,342 net of tax of $8,261 for the nine months ended September 30, 2000. No such debt was acquired during the three months ended September 30, 2000.

At September 30, 2000 the Company had a receivable balance of $28,647 relating to the tax sharing agreement it has with Western Resources. See Note 10 for further discussion relating to income taxes.

10. Income Taxes:

The income tax benefit recorded for the nine-month period ended September 30, 2000 is approximately 25% of the pre-tax loss. This rate represents the expected effective rate for 2000. The difference between the expected annual effective rate of 25% and the federal statutory rate of 35% is primarily attributable to non-deductible goodwill amortization. The Company has a tax sharing agreement with Western Resources which allows it to be reimbursed for tax deductions utilized by Western Resources in its consolidated tax return. If the Company did not file its taxes on a consolidated basis with Western Resources, the Company's deferred tax assets might not be realizable and the Company might not be in a position to record a tax benefit for losses incurred.

During the third quarter of 2000 the Company reversed a deferred tax valuation allowance of $21,890 relating to acquired net operating loss carryforwards and reduced goodwill by this same amount. The Company originally had determined that it was more likely than not that the NOL's acquired through acquisitions would not be utilized and therefore established the valuation allowance. However, due to a change in federal tax regulations regarding the utilization of acquired NOL carryforwards, approximately $19,000 of these NOL's were utilized in 1999 with the balance expected to be utilized in 2000.

11. Unrealized Gains and Losses:

The following reflects the changes in unrealized gains and losses in marketable securities and in currency fluctuations for the nine-months ended September 30, 2000:

Unrealized loss on marketable securities	$	(1,202)
Less: reclassification adjustment for losses included in sale of European operations		2,830
Net unrealized gain	$	1,628

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Unrealized loss on currency translation	$	(2,126)
Less: reclassification adjustment for losses included in sale of European operations		2,421
Net unrealized gain	$	295

12. Recent Developments:

On March 28, 2000, Western Resources Board of Directors approved the separation of its electric utility business from its non-electric businesses. On May 18, 2000, Western Resources announced that its Board of Directors had authorized management to explore strategic alternatives for the electric utility business. Western Resources also indicated that the non-electric businesses are expected to

consist of the approximate 85% ownership interest in the Company, an approximate 45% ownership interest in ONEOK Inc., a Tulsa-based natural gas company, a 100% ownership interest in Protection One Europe (formerly the Europe segment of the Company), and a 40% ownership in Paradigm Direct LLC, and other investments. On October 5, 2000, Westar Industries filed a registration statement with the SEC which covers the proposed sale of approximately 9.9% of Westar Industries common stock now owned by Western Resources through the exercise of non-transferable rights proposed to be distributed by Western Resources to its shareholders. After completion of the rights offering, assuming full exercise of the rights, Western Resources will own approximately 90.1% of Westar Industries. The registration statement has not yet become effective. The Company can give no assurances as to whether or when the registration statement will become effective or the separation or the strategic transaction may occur.

On September 15, 2000, the Company announced that it is considering new sources of financing, including new credit facilities with third parties or the sale of assets, including the possible sale of Network Multifamily to Westar Industries. The credit facility with Westar Industries currently expires on January 2, 2001. Westar has advised the Company that while it would consider an extension of the credit facility upon terms reflecting current market conditions, it desires the Company to find alternatives to the credit facility upon its expiration because of the previously announced restructuring of Westar Industries. The Company has established a special committee of its Board of Directors to evaluate any transaction with Westar Industries.

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

Unless the context otherwise indicates, all references in this Report on Form 10-Q/A (this "Report") to the "Company," "Protection One," "we," "us" or "our" or similar words are to Protection One, Inc., its wholly owned subsidiary, Protection One Alarm Monitoring, Inc. ("Protection One Alarm Monitoring") and Protection One's other wholly owned subsidiaries. Protection One's primary asset is, and Protection One operates primarily through, its investments in Protection One Alarm Monitoring and its other wholly owned subsidiaries. Both Protection One and Protection One Alarm Monitoring are Delaware corporations organized in September 1991.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations updates the information provided in and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our 1999 Annual Report on Form 10-K/A-2.

Overview

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Protection One is one of the leading providers of property monitoring services, providing electronic monitoring and maintenance of its alarm systems to approximately 1.4 million customers in North America.

Our company is divided into two business segments:

Protection One North America ("North America") generated approximately $277.8 million, or 82.8%, of our revenues in the first nine months of 2000 and is comprised of Protection One Alarm Monitoring−our core alarm monitoring business.

Multifamily generated approximately $29.8 million, or 8.9%, of our revenues in the first nine months of 2000 and is comprised of our alarm monitoring business servicing the multifamily/apartment market.

On February 29, 2000, we sold Protection One Europe ("Europe") which generated approximately $27.9 million of revenues through February 29, 2000. Europe was comprised of:

Protection One Continental Europe−an alarm monitoring business servicing continental Europe established from our purchase of Compagnie Europeenne de Telesecurite ("CET") in September 1998, based in Paris and Vitrolles, France with offices in Germany, Switzerland, Belgium and the Netherlands; and

Protection One United Kingdom−an alarm monitoring business servicing the United Kingdom established from our purchase of Hambro Countrywide Security in May 1998, based in Basingstoke, United Kingdom.

Sale of European Assets and Other Transactions

On February 29, 2000 the Company sold its European operations and certain investments to Westar Industries. The consideration received was approximately $244 million, comprised of approximately $183 million in cash and certain of the Company's outstanding debt securities Westar Industries had acquired in open market purchases for approximately $61 million. As part of the agreement, Westar Industries agreed to pay Protection One a portion of the net gain, if any, on a subsequent sale of the business on a declining basis over the four years following the closing. The cash proceeds of the sale were used to reduce the $240 million outstanding balance under the $250 million Senior Credit Facility between the Company and Westar Industries.

Acquisition of PowerCall Security

On November 3, 2000 we signed an agreement to acquire the customer accounts, assets and operations of PowerCall Security, a subsidiary of Southern Company for approximately $11 million plus working capital. PowerCall Security has approximately 17,000 security customers in Georgia, Alabama, Florida and Mississippi which generate over $300,000 of monthly recurring revenue. The transaction is scheduled to close prior to December 31, 2000.

Change in Estimate of Useful Life of Goodwill

In the first quarter, we re-evaluated the original assumptions and rationale utilized in the establishment of the carrying value and estimated useful life of goodwill. Management concluded that due to continued losses, increased levels of attrition experienced in 1999 and other factors, the estimated useful life of goodwill should be reduced from 40 years to 20 years. As of January 1, 2000, the remaining goodwill, net of accumulated amortization, will be amortized over its remaining useful life based on a 20-year life. On our existing account base, we anticipate that this will result in an increase in annual goodwill amortization of approximately $23 million for North America and $6 million for Multifamily. The additional goodwill recorded for Europe prior to its sale on February 29, 2000 was approximately $1 million.

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Attrition

Subscriber attrition has a direct impact on our results of operations since it affects both our revenues and amortization expense. We define attrition as a ratio, the numerator of which is the gross number of lost customer accounts for a given period, net of certain adjustments, and the denominator of which is the average number of accounts for a given period. In some instances, we use estimates to derive attrition data. The adjustments made to lost accounts are primarily related to those accounts which are covered under a purchase price holdback and are "put" back to the seller. We reduce the gross accounts lost during a period by the amount of the guarantee provided for in the purchase agreements with sellers. In some cases, the amount of the purchase holdback may be less than actual attrition experience. We do not reduce the gross accounts lost during a period by "move in" accounts, which are accounts where a new customer moves into a home installed with the Company's security system and vacated by a prior customer, or "competitive takeover" accounts, which are accounts where the owner of a residence monitored by a competitor requests that the Company provide monitoring services.

Our actual attrition experience shows that the relationship period with any individual customer can vary significantly and may be substantially shorter or longer than ten years. Customers discontinue service with us for a variety of reasons, including relocation, service issues and cost. A portion of the acquired customer base can be expected to discontinue service every year. Any significant change in the pattern of our historical attrition experience would have a material effect on our results of operations.

We monitor attrition each quarter based on an annualized and trailing twelve-month basis. This method utilizes each segment's average customer account base for the applicable period in measuring attrition. Therefore, in periods of customer account growth, customer attrition may be understated and in periods of customer account decline, customer attrition may be overstated. When appropriate, we will adjust amortization of the cost of customer accounts.

Customer attrition by business segment for the periods ended September 30, 2000 and 1999 are summarized below:

	Customer Account Attrition			
	September 30, 2000		September 30, 1999	
	Annualized Third Quarter	Trailing Twelve Month	Annualized Third Quarter	Trailing Twelve Month
North America	18.3%	15.3%	19.1%	14.2%
Multifamily	5.8%	9.4%	7.6%	6.5%
Total Company*	15.7%	14.1%	16.9%	12.7%

* Does not include Europe segment.

The Company experienced high levels of attrition for the North America segment in 1999 with successive quarterly annualized attrition of 11.2%, 15.9%, 19.1% and 16.3%. The quarterly annualized attrition rate for North America for each of the first three successive quarters of 2000 is 11.9%, 14.2% and 18.3%.

In the second quarter we disclosed that we had identified approximately 30,000 customer accounts which were either incorrectly entered into our system, represented duplicate existing accounts or represented accounts for which credit and collection activities had not occurred. These accounts remained in our balance of customer accounts at the end of the second quarter. During the third quarter we completed our review of these accounts by performing additional analysis and collection procedures. Where necessary we discontinued our monitoring service and attrited the account.

Customer Creation and Marketing

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For the three and nine months ended September 30, 2000, our North America segment added 12,574 and 37,562 accounts, respectively, although our net number of customers decreased by 57,417 and 119,529 accounts, respectively. The Multifamily segment added 11,451 and 30,571 accounts respectively, with its net number of customers increasing by 7,130 and 8,508 accounts, respectively. While our previous customer acquisition strategy relied primarily on the dealer program, our new customer acquisition strategy relies on a mix of dealers, internal sales, and "tuck-in" acquisitions. The number of accounts being purchased through the dealer program decreased significantly from 172,104 for the nine months ended September 30, 1999 to 18,382 for the nine months ended September 30, 2000. For the three months ended September 30, 2000, the dealer program produced 4,048 accounts, or approximately 32% of the total number of accounts acquired during such period. We expect small increases in the number of accounts purchased through the dealer program over the remainder of 2000. In February 2000, we started a commission only internal sales program, with a goal of acquiring accounts at a cost lower than our external programs. We currently have a commissioned sales force of approximately 185 persons which we plan to expand through the remainder of the year. This program utilizes our existing branch infrastructure in approximately 70 markets. The internal sales program generated 8,219 accounts in the three months ended September 30, 2000. We expect the number of accounts produced by this program to increase as it becomes more established. Our pilot program with Paradigm Direct LLC which utilized direct marketing to produce customer accounts was concluded on June 30, 2000 and the relationship was terminated as of September 30, 2000.

Operating Results

We separate our business into three reportable segments: North America, Multifamily, and through February 29, 2000, Europe. North America provides security alarm monitoring services, which include sales, installation and related servicing of security alarm systems in the United States and Canada.

Multifamily provides security alarm services to apartments, condominiums and other multi-family dwellings. The Europe segment provided security alarm services in Europe and was sold on February 29, 2000.

Nine Months Ended September 30, 2000 Compared to Nine Months Ended September 30, 1999

North America Segment

The following table provides for comparison of the North America operating results for the periods presented. Next to each period's results of operations, we provide the relevant percentage of our total revenues so that you can make comparisons about the relative change in revenues and expenses.

	Nine Months Ended September 30,			
	2000		1999	
	(dollars in thousands) RESTATED			
Revenues:				
Monitoring and related services	$ 266,973	96.1%	$ 285,668	96.3%
Installation and rental	10,855	3.9	11,008	3.7
Total revenues	277,828	100.0	296,676	100.0
Cost of revenues:				
Monitoring and related services	84,935	30.6	75,576	25.5
Installation and rental	7,909	2.9	9,301	3.1
Total cost of revenues	92,844	33.5	84,877	28.6

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Gross profit	184,984	66.5	211,799	71.4
Selling expense	5,664	2.0	4,243	1.4
General and administrative expenses	73,709	26.5	71,466	24.1
Acquisition and transition expense	8,706	3.1	20,920	7.0
Amortization of intangibles and depreciation expense	153,153	55.1	148,699	50.2
Other charges	3,050	1.1	4,308	1.5
Operating income (loss)	$ (59,298)	(21.3)%	$ (37,837)	(12.8)%

2000 Compared to 1999. We had a net decrease of 119,529 customers in the first nine months of 2000 as compared to a net increase of 34,498 customers in the first nine months of 1999. The average customer base for the first nine months of 2000 and 1999 was 1,144,878 and 1,213,296 respectively, or a decrease of 68,418 customers. The decrease in customers is primarily because our present customer acquisition strategies have not been able to generate accounts in a sufficient volume to replace accounts lost through attrition. We do not expect our customer acquisitions to replace all accounts lost through attrition at least through the first half of 2001. Accordingly, our total customer base is likely to decline based upon historical rates of attrition which is likely to result in declining revenues. Our focus remains on the completion of our current infrastructure projects, the development of cost effective marketing programs, development of our commercial business and the generation of positive cash flow.

The following table shows the change in the North America customer account base:

	Nine Months Ended(1) September 30,	
	2000	**1999**
Beginning Balance, January 1,	1,204,642	1,196,047
Additions	37,562	192,952
Customer losses not guaranteed with holdback put backs	(127,692)	(142,288)
Customer losses guaranteed with holdback put backs and other	(29,399)	(16,166)
Ending Balance	1,085,113	1,230,545
Annualized attrition	15.3%	15.6%

(1)
See "Attrition", above, for discussion of other adjustments.

Monitoring and related service revenues decreased approximately $18.7 million or 6.5% in the first nine months of 2000 as compared to the first nine months of 1999 primarily due to the decline in our customer base. An additional factor was the issuance of more customer credits during the first nine months of 2000 as compared to 1999. A significant portion of these credits were goodwill credits issued to customers in the first quarter as a result of billing problems encountered when we implemented a new billing and collections system in our Beaverton monitoring station late in 1999. The problems with this system have been corrected and the issuance of credits for this purpose has decreased.

Installation and rental revenues consist primarily of revenues generated from our internal installations of new alarm systems. These revenues decreased by approximately $0.15 million or 1.4% from the first nine months of 1999.

Cost of monitoring and related services revenues for the first nine months of 2000 increased by $9.3 million, or 12.4%, to $84.9 million from $75.6 million for the first nine months of 1999. Compensation costs for the monitoring stations increased by approximately $3.8 million

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due primarily to an increase in personnel. The increase in employees is a direct result of our efforts to improve the level of customer service. In addition, parts and materials costs increased by $4.1 million and vehicle costs increased $1.3 million.

Cost of installation and rental revenues was $1.4 million or 15.0% less than in the first nine months of 1999. These costs as a percentage of installation and rental revenues were approximately 73% for the first nine months of 2000, as compared to approximately 84% for the first nine months of 1999. Parts and materials decreased by $2.2 million and subcontract labor increased by $0.6 million.

Selling expense was $1.4 million or 33.4% greater than in the first nine months of 1999. This increase is primarily due to an increase in sales commissions stemming from our increased emphasis on internal account growth.

General and administrative expenses increased $2.2 million from $71.5 million in the first nine months of 1999 to $73.7 million in the first nine months of 2000**.** Bad debt and collection expenses decreased approximately $1.5 million. Subcontract expense for outside information technology support increased approximately $3.6 million due primarily to work performed in connection with the implementation of our new billing, collection and monitoring software.

Acquisition expenses decreased $12.2 million in the first half of 2000 from $20.9 million in the first nine months of 1999 to $8.7 million. During these respective periods for 2000 and 1999, third party monitoring costs decreased by $4.3 million, signs and decals expense decreased by $1.2 million, printing expense decreased by $1.8 million and compensation expense decreased by $0.9 million. These

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decreases are a direct result of the significant decline in the number of new accounts acquired from 192,952 in the first nine months of 1999 to 37,562 accounts acquired in the first nine months of 2000. This decline is primarily due to the restructuring of our dealer program. The decrease in third party monitoring expense and associated increase in reprogramming expense are a result of our concentrated effort in late 1999 to move such accounts to our own monitoring stations. Additionally, in the third quarter of 1999, $3.7 million of costs relating to the termination of the Lifeline merger were expensed.

Amortization of intangibles and depreciation expense for the first nine months of 2000 increased by $4.5 million, or 3.0%, to $153.2 million from $148.7 million in the first nine months of 1999. Subscriber amortization for the nine months ended September 30, 2000 and 1999 was $103.9 million and $124.6 million, respectively, a decrease of $20.7 million. As discussed in our 1999 Annual Report on Form 10-K/A-2, we changed the amortization method on most of our customer base from a 10-year straight line method to a 10-year declining balance method as of the third quarter in 1999. The cumulative effect of this change in accounting principle was approximately $28.6 million including approximately $20.2 million of additional amortization from the effect of the change on amortization in years prior to 1999. This change does not include our Westinghouse customer pool for which we adopted an 8-year accelerated amortization method from the date of the WSS acquisition. See Note 2 of the Consolidated Financial Statements.

As discussed above, we also changed our estimate of the useful life of goodwill from 40 years to 20 years. As a result, our amortization expense increased $16.0 million from $15.2 million in the first nine months of 1999 to $31.2 million for the first nine months of 2000. Additionally, in the first nine months of 2000, depreciation expense increased $9.6 million from $8.4 million for the first nine months of 1999 to $18.0 million. This increase is due to accelerated depreciation of the general ledger and accounts receivable systems installed in 1999. We have decided to move to another general ledger and accounts receivable system in 2000 which we believe is better suited to our needs.

Other charges for the first nine months of 1999 consisted of officer's severance costs of $3.2 million and $1.1 million in non recurring costs incurred to transition certain back office functions from Irving, Texas to Topeka, Kansas. For the first nine months of 2000, these charges consist of $1.5 million for officer's severance and $1.55 million for expenses relating to the sale of the European operations.

Interest expense, net for the first nine months of 2000 and 1999 was $45.6 million and $55.6 million, respectively. During the first nine months of 1999, borrowings under the Senior Credit Facility increased from $42.4 million to $215.0 million with interest rates ranging from 6.19% to 7.75%. During the first nine months of 2000, borrowings under the Senior Credit Facility decreased from $225.0 million to $72.0 million at interest rates ranging from 7.8% to 8.9%. In the first half of 1999, we accrued interest charges on the $350 million Senior Subordinated Notes at 8.125%, however, since we have not completed the required exchange offer, the interest rate relating to this debt

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increased to 8.625% in June 1999. Total debt decreased during the first nine months of 2000 from $1.1 billion to $665 million, a decrease of $444 million.

Multifamily Segment

The following table provides information for comparison of the Multifamily operating results for the periods presented. Next to each period's results of operations, we provide the relevant percentage

of total revenues so that you can make comparisons about the relative change in revenues and expenses.

	Nine Months Ended September 30,			
	2000		1999	
	(dollars in thousands)			
Revenues:				
Monitoring and related services	$ 26,486	88.7%	$ 25,679	88.9%
Installation and rental	3,359	11.3	3,219	11.1
Total revenues	29,845	100.0	28,898	100.0
Cost of revenues:				
Monitoring and related services	5,907	19.8	5,591	19.3
Installation and rental	3,020	10.1	2,741	9.5
Total cost of revenues	8,927	29.9	8,332	28.8
Gross profit	20,918	70.1	20,566	71.2
Selling expense	1,868	6.3	1,902	6.6
General and administrative expenses	5,889	19.7	6,181	21.4
Acquisition and transition expense	–	–	313	1.1
Amortization of intangibles and depreciation expense	11,644	39.0	7,003	24.2
Operating income	$ 1,517	5.1%	$ 5,167	17.9%

2000 Compared to 1999. We had a net increase of 8,508 customers in the first nine months of 2000 as compared to a net increase of 3,294 customers in the first nine months of 1999. The average customer base is 299,214 for the first nine months of 2000 compared to 287,601 for the first nine months of 1999. The change in Multifamily's customer base for the period is shown below.

	Nine Months Ended September 30,	
	2000	1999
Beginning Balance, January 1,	294,960	285,954
Additions	30,571	19,416
Customer losses	(22,063)	(16,122)
Ending Balance	303,468	289,248

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Annualized attrition	9.8%	7.5%

The increase in the attrition rate for Multifamily for the nine months ended September 30, 2000 is due to nonpayment of approximately 7,000 subscribers related to one developer. Had these accounts not attrited, the annualized attrition would have been approximately 6.7%. The Company is pursuing contractual remedies for nonpayment of these accounts.

Monitoring and related services revenues for the first nine months of 2000 increased by $0.8 million, or 3.1%, to $26.5 million from $25.7 million for the first nine months of 1999 due primarily to the larger customer base in 2000.

Cost of monitoring and related revenues for the first nine months of 2000 increased by $.3 million, or 5.7% to $5.9 million from $5.6 million for the first nine months of 1999. Monitoring and related service expenses, as a percentage of monitoring and related service revenues, increased to 22.3% for the first nine months of 2000 from 21.8% for the first nine months of 1999. This increase is primarily related to higher employment costs resulting from the current competitive labor market and an increase in claims experience on a self-funded medical insurance plan.

Cost of installation and rental revenues increased by $.3 million or 10.2% to $3.0 million from $2.7 million in 1999. Installation and rental cost of revenues, as a percentage of installation and rental revenues, increased to 89.9% in the first nine months of 2000 from 85.2% in the first nine months of 1999. This increase is primarily due to the significant number of installations in 1999 which used less sophisticated monitoring equipment than Multifamily's standard contracts, combined with the increased use in 2000 of wireless systems, which are more expensive but expected to reduce future service costs.

Amortization of intangibles and depreciation expense for the first nine months of 2000 increased by $4.6 million, or 66.3% from $7.0 million in 1999 to $11.6 million in 2000. This increase is primarily due to the change in estimate of goodwill life from 40 years to 20 years resulting in an increase in goodwill amortization expense of $3.7 million. Subscriber amortization increased by $0.8 million due to the increasing customer base being amortized.

Three Months Ended September 30, 2000 Compared to Three Months Ended September 30, 1999

North America Segment

The following table provides information for comparison of the North America operating results for the periods presented. Next to each period's results of operations, we provide the relevant percentage of total revenues so that you can make comparisons about the relative change in revenues and expenses.

	Three Months Ended September 30,			
	2000		1999	
	(dollars in thousands) RESTATED			
Revenues:				
Monitoring and related services	$ 85,682	95.9%	$ 96,310	96.5%
Installation and rental	3,690	4.1	3,500	3.5
Total revenues	89,372	100.0	99,810	100.0
Cost of revenues:				
Monitoring and related services	29,570	33.1	29,646	29.7
Installation and rental	2,115	2.4	2,335	2.3

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Total cost of revenues	31,685	35.5	31,981	32.0
Gross profit	57,687	64.5	67,829	68.0
Selling expense	2,363	2.6	1,329	1.3
General and administrative expenses	24,391	27.3	29,673	29.8
Acquisition and transition expense	2,248	2.5	10,027	10.0
Amortization of intangibles and depreciation expense	48,233	54.0	73,029	73.2
Other charges	–	–	2,309	2.3
Operating loss	$ (19,548)	(21.9)%	$ (48,538)	(48.6)%

2000 Compared to 1999. We had a net decrease of 57,417 customers in the third quarter of 2000 as compared to a net decrease of 16,219 customers in the third quarter of 1999. The average customer base for the third quarters of 2000 and 1999 was 1,113,822 and 1,238,655, respectively, or a decrease of 124,833 customers. The decrease in customers is primarily because our present customer acquisition strategies have not been able to generate accounts in a sufficient volume to replace accounts lost through attrition. We do not expect our customer acquisitions to replace customers lost through attrition at least through the first half of 2001. Accordingly, our total customer base is likely to decline based upon historical rates of attrition which is likely to result in declining revenues. Our focus remains on the completion of our current infrastructure projects, the development of cost effective marketing

programs, the development of our commercial business and the generation of positive cash flow, all of which we believe will build the foundation for future growth.

The following table shows the change in the North America customer account base:

	Three Months Ended(1) September 30	
	2000	**1999**
Beginning Balance, July 1	1,142,530	1,246,764
Additions	12,574	50,321
Customer losses not guaranteed with holdback putbacks	(51,080)	(59,049)
Customer losses guaranteed with holdback putbacks and other	(18,911)	(7,491)
Ending Balance	1,085,113	1,230,545
Annualized quarterly attrition	18.3%	19.1%

(1)

See "Attrition", above, for discussion of other adjustments.

Monitoring and related service revenues decreased approximately $10.6 million or 11.0% in the third quarter of 2000 as compared to the third quarter of 1999 primarily due to the decline in our customer base.

Installation and rental revenues consist primarily of revenues generated from our internal installations of new alarm systems. These revenues increased by approximately $0.2 million or 5.4% from the third quarter of 1999.

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Cost of monitoring and related services revenues for the third quarter of 2000 decreased by $0.1 million, or 0.2%, to $29.5 million from $29.6 million for the third quarter of 1999. Parts and materials costs increased by $1.6 million and telecom costs decreased $1.7 million.

Cost of installation and rental revenues was $0.22 million or 9.4% less than in the third quarter of 1999. These costs as a percentage of installation and rental revenues were approximately 57% for the third quarter of 2000 as compared to approximately 67% for the third quarter of 1999. Parts and materials decreased by $0.6 million. Partially offsetting this decrease, compensation and subcontract labor costs increased approximately $0.3 million.

Selling expense was $1.0 million or 77.8% greater than in the third quarter of 1999. This increase is primarily due to an increase in sales commissions and employee compensation stemming from our increased emphasis on internal account growth.

General and administrative expenses decreased $5.3 million from $29.7 million in the third quarter of 1999 to $24.4 million in the third quarter of 2000. Bad debt and collection expenses decreased $6.4 million primarily due to adjustments made during the third quarter of 1999 increasing the valuation allowance on accounts receivable. Subcontract expense related to outside information technology support increased approximately $1.0 million due primarily to work performed in connection with the implementation of our new billing, collection and monitoring software.

Acquisition expenses decreased $7.8 million in the third quarter of 2000 from $10.0 million in the third quarter of 1999 to $2.2 million. During these respective periods for 2000 and 1999, third party monitoring costs decreased by $1.8 million and costs related to winding down the old dealer program decreased by $2.3 million. Additionally, in the third quarter of 1999, $3.7 million of costs were expensed relating to the termination of the Lifeline merger.

Amortization of intangibles and depreciation expense for the third quarter of 2000 decreased by $24.8 million, or 34.0%, to $48.2 million from $73.0 million in the third quarter of 1999. Subscriber amortization for the three months ended September 30, 2000 and 1999 was $34.8 million and $65.5 million, respectively, a decrease of $30.7 million. As discussed in our 1999 Annual Report on Form 10-K/A-2, we changed the amortization method on most of our customer base from a 10-year straight line method to a 10-year declining balance method as of the third quarter in 1999. The cumulative effect of this change in accounting principle was approximately $28.6 million including approximately $20.2 million of additional amortization from the effect of the change in amortization in years prior to 1999. This change does not include our Westinghouse customer pool for which we adopted an 8-year accelerated amortization method from the date of the WSS acquisition. See Note 2 of the Consolidated Financial Statements.

As discussed above, we also changed our estimate of the useful life of goodwill from 40 years to 20 years. As a result, in amortization expense increased $5.7 million from $4.7 million in the third quarter of 1999 to $10.4 million for the third quarter of 2000. Additionally, in the third quarter of 2000 depreciation expense increased $0.3 million from $2.7 million for the third quarter of 1999 to $3.0 million in the third quarter of 2000.

Interest expense, net for the third quarter was $13.8 million and $19.8 million for 2000 and 1999, respectively. During the third quarter of 1999, borrowings under the Senior Credit Facility rose from $172.0 million to $215.0 million with interest rates ranging from 6.50% to 7.75%. During the third quarter of 2000, the Senior Credit Facility increased from $70.0 million to $72.0 million at interest rates approximating 8.9%. Total debt at September 30, 2000 and 1999 was $665.7 million and $1.1 billion respectively.

Multifamily Segment

The following table provides information for comparison of the Multifamily operating results for the periods presented. Next to each period's results of operations, we provide the relevant percentage of total revenues so that you can make comparisons about the relative change in revenues and expenses.

	Three Months Ended September 30,	
	2000	**1999**

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	(dollars in thousands)			
Revenues:				
Monitoring and related services	$ 9,108	88.8%	$ 8,697	90%
Installation and rental	1,147	11.2	970	10
Total revenues	10,255	100.0	9,667	100.0
Cost of revenues:				
Monitoring and related services	1,997	19.4	2,153	22.3
Installation and rental	908	8.9	955	9.9
Total cost of revenues	2,905	28.3	3,108	32.2
Gross profit	7,350	71.7	6,559	67.8
Selling expenses	552	5.4	463	4.8
General and administrative expenses	1,874	18.3	2,071	21.4
Amortization of intangibles and depreciation expense	3,925	38.3	2,388	24.7
Operating income	$ 999	9.7%	$ 1,637	16.9%

2000 Compared to 1999. We had a net increase of 7,130 customers in the third quarter of 2000 as compared to a net decrease of 902 customers in the third quarter of 1999. The average customer base

was 299,903 for the third quarter of 2000 compared to 289,699 for the third quarter of 1999. The change in Multifamily's customer base for the period is shown below.

	Three Months Ended September 30,	
	2000	1999
Beginning Balance, July 1,	296,338	290,150
Additions	11,451	4,634
Customer losses	(4,321)	(5,536)
Ending Balance	303,468	289,248
Annualized quarterly attrition	5.8%	7.6%

Monitoring and related services revenues for the third quarter of 2000 increased by $0.4 million, or 4.6%, to $9.1 million from $8.7 million for the third quarter of 1999 due primarily to the larger customer base in 2000.

Cost of monitoring and related revenues for the quarter ending September 30, 2000 decreased by $.2 million, or 7.3% to $2.0 million from $2.2 million for the third quarter of 1999. Monitoring and related service expenses, as a percentage of monitoring and related service revenues decreased to 21.9% for the quarter ended September 30, 2000 from 24.8% for the quarter ended September 30, 1999. This is primarily due to reduced employment cost resulting from the increased call center automation.

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Cost of installation and rental revenues decreased by $0.05 million or 5% to $0.91 million in the third quarter of 2000 from $0.96 million in the third quarter of 1999. Installation and rental cost of revenues, as a percentage of installation and rental revenues, decreased to 79.1% for the third quarter of 2000 from 98.5% for the third quarter of 1999. This decline is principally due to the sale of certain access control contracts which provided greater installation margins than standard alarm sales.

General and Administrative Expense decreased 9.5%, or $.2 million in 2000 to $1.9 million from $2.1 million as a result of a temporary decline in the sales force.

Amortization of intangibles and depreciation expense for the third quarter in 2000 increased by $1.5 million, or 64.4% from $2.4 million in 1999 to $3.9 million in 2000. This increase is primarily due to the change in estimate of goodwill life from 40 to 20 years resulting in an increase in goodwill amortization expense of $1.2 million. Subscriber amortization increased by $0.3 million due to the increasing customer base being amortized.

Liquidity and Capital Resources

We believe we currently maintain the ability to generate sufficient cash to fund future operations of the business. Generally, cash will be generated from a combination of our existing $115.0 million Senior Credit Facility, which had approximately $43 million of availability at September 30, 2000, subject to compliance with the provisions of the debt covenants in the agreement, as well as revenue from our security monitoring customer base which generated $110.1 million of positive EBITDA from the North America and Multifamily operations in the first nine months of 2000. EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles, should not be construed as an alternative to operating income and is indicative neither of operating performance nor cash flows available to fund our cash needs. Items excluded from EBITDA are significant components in understanding and assessing our financial performance. We believe that presentation of EBITDA enhances an understanding of our financial condition, results of operations and cash flows because EBITDA is used to satisfy our debt service obligations and our capital expenditure and other operational needs as well as to provide funds for growth. In addition, EBITDA is used by senior

lenders and subordinated creditors and the investment community to determine the current borrowing capacity and to estimate the long-term value of companies with recurring cash flows from operations. Our computation of EBITDA may not be comparable to other similarly titled measures of other companies.

On September 15, 2000, we announced that we are considering new sources of financing, including new credit facilities with third parties or the sale of assets, including the possible sale of Multifamily to Westar Industries. The credit facility with Westar Industries currently expires on January 2, 2001. Westar Industries has advised us that while it would consider an extension of the credit facility upon terms reflecting current market conditions, it prefers we find alternatives to the credit facility upon its expiration because of the previously announced restructuring of Westar Industries. We have established a special committee of our Board of Directors to evaluate any transaction with Westar Industries. Due to our credit downgrades received in 2000 by rating agencies, higher interest rates and a more difficult lending market, it is not known on what terms a credit facility could be obtained or if a credit facility could be obtained at all. Similarly, there is no assurance we will be able to sell assets.

Operating Cash Flows for the Nine Months Ended September 30, 2000. Our operating activities provided net cash flows of $44.9 million, a decrease of $31.0 million from the comparable period for 1999, primarily due to a decrease in EBITDA of $46.4 million from $162.9 million for the first nine months of 1999 to $116.5 million for the first nine months of 2000.

Investing Cash Flows for the Nine Months Ended September 30, 2000. Our investing activities provided net cash flows of $141.7 million in the first nine months of 2000 compared to a use of cash of $239.9 million in the first nine months of 1999. This increase is due to the sale of the European operations and certain other investments to Westar Industries for $183.0 million in cash along with $61.0 million in other consideration. We also reduced the purchases of customer accounts and fixed assets by $192.9 million from $234.3 million in the first nine months of 1999 to $41.4 million in the first nine months of 2000.

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Financing Cash Flows for the Nine Months Ended September 30, 2000. We decreased our net borrowings under our Senior Credit Facility by $153.0 million during the first nine months of 2000. We paid down $183.0 million as a result of the sale of our European operations to Westar Industries. Excluding this transaction, we had net borrowings of $30.0 million under our Senior Credit Facility during the first nine months of 2000. We also repurchased certain of our outstanding debt securities for cash totaling $46.8 million during this period. At September 30, 2000, the Senior Credit Facility had a weighted average interest rate of 8.9% and outstanding borrowings of $72.0 million.

During the nine months ended September 30, 2000 we purchased 710,600 shares of our outstanding common stock for a total of $1.2 million. These shares are reflected in our equity section of the balance sheet as treasury stock, at cost. We may continue to acquire additional shares of our common stock based upon market conditions and other factors.

We may also continue to acquire additional debt securities in the open market or through negotiated transactions based upon market conditions and other factors. We expect that we would also realize an extraordinary gain on extinguishment of debt on any such purchases.

Material Commitments

We have future, material, long-term commitments made in the past several years in connection with our growth. We believe these commitments will be met through a combination of borrowings

under our Senior Credit Facility, refinancings and positive operating cash flows. The following reflects these commitments as of September 30, 2000 and as of September 30, 1999.

Debt Security	Maturity Date	September 30, 2000 (in thousands)	September 30, 1999(b) (in thousands)
Convertible Senior Subordinated Notes(a)	September 2003	$ 28,185	$ 103,500
Senior Subordinated Discount Notes	June 2005	49,826	107,900
Senior Unsecured Notes	August 2005	250,000	250,000
Senior Subordinated Notes	January 2009	262,040	350,000
Senior Credit Facility	January 2001	72,000	215,000
		$ 662,051	$ 1,026,400

(a)

These notes are convertible into Protection One common stock at a price of $11.19 per share, which is currently above the price at which our shares are traded in the public stock markets.

(b)

Excludes the debt of our European segment which was sold to Westar Industries on February 29, 2000.

We are in compliance with the financial covenants under the amended Senior Credit Facility and the indentures for the third quarter ended September 30, 2000.

In March 2000, Moody's, S & P and Fitch downgraded their ratings on our outstanding securities with outlook remaining negative. As of November 1, 2000, these ratings were as follows:

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	Senior Unsecured Debt	Senior Subordinated Unsecured Debt
S & P	B+	B-
Moody's	B2	Caa1
Fitch	B+	B-

Capital Expenditures

We anticipate making capital expenditures of approximately $65 million in 2000. Of such amount, we plan to invest approximately $45 million to acquire customer accounts, $10 million to complete the development and installation of our new software platforms, $5 million for replacement of vehicles, and $5 million for other capital items. Capital expenditures for 2001 are expected to be approximately $84 million of which approximately $67 million would be to acquire accounts and $17 million for vehicles and other capital items. Capital expenditures for 2002 are expected to be approximately $108 million of which approximately $92 million would be to acquire accounts and $16 million for vehicles and other capital items. These estimates are prepared for planning purposes and may be revised. Actual expenditures for these and possibly other items not presently anticipated may vary from these estimates during the course of the years presented.

Tax Matters

Protection One is consolidated into income tax returns filed by its parent, Western Resources. The two parties have entered into a tax sharing agreement whereby Western Resources will make cash payments to us for current tax benefits utilized for income tax return purposes and which will require cash payments from us for current tax expenses incurred for income tax return purposes. This arrangement has allowed us to provide a current tax benefit for the year ended December 31, 1999, as well as for the nine months ended September 30, 2000. If the Company did not file its taxes on a consolidated basis with Western Resources, the Company's deferred tax assets might not be realizable

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and the Company might not be in a position to record a tax benefit for losses incurred. We would cease filing consolidated tax returns with Western Resources upon its consummation of a strategic transaction and the completion of our separation from Western Resources.

During the third quarter of 2000 we reversed a deferred tax valuation allowance of $21.9 million relating to acquired net operating loss carryforwards and reduced goodwill by this same amount. We originally had determined that it was more likely than not that the NOL's acquired through acquisitions would not be utilized and therefore established the valuation allowance. However, due to a change in federal tax regulations regarding the utilization of acquired NOL carryforwards, approximately $19 million of these NOL's were utilized in 1999 with the balance expected to be utilized in 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has not experienced any significant changes in its exposure to market risk since December 31, 1999. For additional information on the Company's market risk, see the Form 10-K/A-2 for the year ended December 31, 1999.

PART II

OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS.

Information relating to legal proceedings is set forth in Note 7 of the Notes to Consolidated Financial Statements included in Part I of this report, which information is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits. The following exhibit is filed with this Current Report on Form 10-Q or incorporated by reference.

Exhibit Number	Exhibit Description
27.1	Restated Financial Data Schedule.

(b) During the quarter ended September 30, 2000, the Company filed one Current Report on Form 8-K filed July 28, 2000, disclosing the status of the SEC Staff review of Company accounting matters.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

Date: February 1, 2001

PROTECTION ONE, INC.
PROTECTION ONE ALARM
MONITORING, INC.

By: /s/ ANTHONY D. SOMMA

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Anthony D. Somma
Chief Financial Officer

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SIGNATURES

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