

DIRECTVIEW HOLDINGS INC
Form 10-Q
November 21, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE EXCHANGE ACT

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 000-53741

DIRECTVIEW HOLDINGS, INC.
(Name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation of organization)

20-5874633
(I.R.S. Employer
Identification No.)

21218 Saint Andrews Blvd., suite 323, Boca Raton, FL
(Address of principal executive office)

(561) 750-9777
(Registrant's telephone number)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller

reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 76,102,582 shares of common stock are issued and outstanding as of November 18, 2011.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
 FORM 10-Q
 September 30, 2011

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OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, "DirectView," "we," "us," "our" and similar terms refer to DirectView Holdings, Inc., a Delaware corporation, and each of our wholly-owned subsidiaries and majority-owned subsidiary.

When used in this report the following terms have the following meanings related to our subsidiaries.

“DirectView Video” refers to DirectView Video Technologies, Inc., our wholly-owned subsidiary and a company organized under the laws of the state of Florida.

·“DirectView Security” refers to DirectView Security Systems, Inc. our majority-owned subsidiary (58% owned as of September 30, 2011) and a company organized under the laws of the state of Florida.

·“Ralston” refers to Ralston Communication Services, Inc. our wholly-owned subsidiary and a company organized under the laws of the state of Florida.

·“Meeting Technologies” refers to Meeting Technologies Inc., our wholly-owned subsidiary and a company organized under the laws of the state of Delaware.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this report contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our ability to raise sufficient capital to fund our ongoing operations and satisfy our obligations as they become due, our ability to generate any meaningful revenues, our ability to compete within our market segment, our ability to implement our strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, as well as our annual report on Form 10K for the year ended December 31, 2010 including the risks described in Part I. Item 1A. Risk Factors of that report. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
	(Unaudited)	(1)
ASSETS		
CURRENT ASSETS:		
Cash	\$-	\$7,288
Accounts Receivable - Net	21,285	46,621
Other Current Assets	23,235	17,352
Total Current Assets	44,520	71,261
PROPERTY AND EQUIPMENT - Net	527	752
OTHER ASSETS	100	100
Total Assets	\$45,147	\$72,113
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Bank Overdraft	\$514	\$-
Convertible Promissory Notes, Net of Debt Discounts	59,437	37,915
Notes Payable	82,000	82,000
Accounts Payable	409,379	428,245
Accrued Expenses	1,168,602	961,774
Deferred Revenue	154	519
Due to Related Parties	212,133	154,985
Derivative Liability	38,795	57,112
Total Liabilities	1,971,014	1,722,550
STOCKHOLDERS' DEFICIT:		
Preferred Stock (\$0.0001 Par Value; 5,000,000 Shares Authorized; None Issued and Outstanding)	-	-
Common Stock (\$0.0001 Par Value; 100,000,000 Shares Authorized; 76,102,582 and 72,666,840 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively)	7,610	7,267
Additional Paid-in Capital	12,309,694	11,637,007
Accumulated Deficit	(14,279,677)	(13,294,711)
Total DirectView Holdings, Inc. Deficit	(1,962,373)	(1,650,437)

Non-Controlling Interest in Subsidiary	36,506	-
Total Stockholders' Deficit	(1,925,867)	(1,650,437)
Total Liabilities and Stockholders' Deficit	\$45,147	\$72,113

(1) Derived from Audited Financial Statements

See accompanying notes to unaudited consolidated financial statements.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
NET SALES	\$ 41,355	\$ 104,559	\$ 163,180	\$ 647,323
COST OF SALES	29,851	91,708	101,085	465,246
GROSS PROFIT	11,504	12,851	62,095	182,077
OPERATING EXPENSES:				
Depreciation	75	75	225	225
Bad Debt Expenses	-	53,137	7,987	53,187
Compensation, Related Taxes and Stock-based Compensation	108,505	128,482	833,013	414,048
Other Selling, General and Administrative	64,501	55,074	272,768	231,836
Total Operating Expenses	173,081	236,768	1,113,993	699,296
LOSS FROM OPERATIONS	(161,577)	(223,917)	(1,051,898)	(517,219)
OTHER INCOME (EXPENSES):				
Other Income	5,118	-	10,431	29,026
Derivative Liability Expense	-	-	(28,613)	-
Change in Fair Value of Derivative Liabilities	223	-	9,787	-
Other Expense	475	-	554	(4,185)
Interest Income	(215)	-	-	-
Interest Expense	(35,007)	(9,719)	(112,406)	(60,331)
Total Other (Expense) Income	(29,406)	(9,719)	(120,247)	(35,490)
NET LOSS	(190,983)	(233,636)	(1,172,145)	(552,709)
Less: Net Loss Attributable to Non-Controlling Interest	5,717	-	176,045	-
Net Loss Attributable to DirectView Holdings, Inc.	\$ (185,266)	\$ (233,636)	\$ (996,100)	\$ (552,709)
NET LOSS PER COMMON SHARE:				
Basic and Diluted	\$ -	\$ -	\$ (0.01)	\$ (0.01)

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - Basic and				
Diluted	75,930,909	72,067,050	74,229,940	68,746,411

See accompanying notes to unaudited consolidated financial statements.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2011 (Unaudited)	2010 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to DirectView Holdings, Inc.	\$ (996,100)	\$ (552,709)
Adjustments to Reconcile Net Loss to Net Cash Flows Used in Operating Activities:		
Depreciation	225	225
Fair value of common stock issued as interest expense	-	36,654
Fair value of subsidiary's common stock issued for services	475,000	-
Derivative liability expense	28,613	-
Change in fair value of derivative liability	(9,787)	-
Non-Controlling Interest	(176,045)	-
Amortization of debt issuance costs	5,027	167
Amortization of debt discount	52,557	2,255
Common stock issued for services	-	1,000
Lease abandonment charges	11,070	10,021
Bad debt expenses	7,987	53,187
(Increase) Decrease in:		
Accounts receivable	17,349	(44,893)
Other current assets	(8,410)	2,767
Increase (Decrease) in:		
Accounts payable	(18,867)	(8,702)
Accrued expenses	201,083	17,427
Deferred revenue	(365)	(5,144)
Net Cash Flows Used in Operating Activities	(410,663)	(487,745)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	514	-
Proceeds from loans payable	-	34,514
Net proceeds from note payable	30,000	47,000
Net proceeds from sale of subsidiary's common stock	192,665	-
Net proceeds from sale of common stock	98,373	351,139
Due to related parties	81,823	6,170
Net Cash Flows Provided by Financing Activities	403,375	438,823
Net Decrease in Cash	(7,288)	(48,922)
Cash - Beginning of Period	7,288	71,410
Cash - End of Period	\$ -	\$ 22,488

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION:**
Cash paid during the period for:

Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Derivative liability reclassified to equity	\$ 37,143	\$ -
Issuance of common stock in connection with conversion of promissory note	\$ 40,000	\$ -
Beneficial conversion on convertible notes payables	\$ 23,534	\$ -
Issuance of common stock for loans payable	\$ -	\$ 34,560

See accompanying notes to unaudited consolidated financial statements.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

DirectView Holdings, Inc., (the “Company”), was incorporated in the State of Delaware on October 2, 2006. On October 9, 2006, the Company entered into a Subsidiary Stock Purchase Agreement with GS Carbon Trading Inc. (“GS”) formerly DirectView, Inc., a publicly held company. GS sold its subsidiaries to the Company in return for the assumption by the Company of a portion of GS’ liabilities and all trade credit and other liabilities incidental to these subsidiaries’ operations.

For financial reporting purposes, the assets, liabilities, historical earnings (deficits), and additional paid in capital of the acquired subsidiaries are reflected in the Company’s financial statements.

The Company has the following three wholly-owned subsidiaries: DirectView Video Technologies Inc., Ralston Communication Services Inc., and Meeting Technologies Inc. The Company has a majority-owned subsidiary which is DirectView Security Systems Inc.

The Company is a full-service provider of teleconferencing services to businesses and organizations. The Company's conferencing services enable its clients to cost-effectively conduct remote meetings by linking participants in geographically dispersed locations. The Company's primary focus is to provide high value-added conferencing services to organizations such as professional service firms, investment banks, high tech companies, law firms, investor relations firms, and other domestic and multinational companies. The Company is also a provider of technologies in surveillance systems, digital video recording and services. The systems provide onsite and remote video and audio surveillance.

In October 2010, the Board of Directors of the Company declared a dividend payable in shares of the Company’s common stock to all stockholders of record on November 9, 2010. The dividend payment date is November 12, 2010. Each stockholder of the Company will receive nine shares of common stock for each one share owned on the record date. The Company has retroactively adjusted these financial statements to reflect such stock dividend.

Basis of Presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The consolidated financial statements include the accounts of the Company, three wholly-owned subsidiaries, and a subsidiary with a majority voting interest of approximately 58% (42% is owned by non-controlling interests whereby 23% is owned by the Company’s CEO who is a majority shareholder of the Parent Company) as of September 30, 2011, and 100% prior to January 2011.

In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings are reduced by the portion of the net earnings of subsidiaries applicable to non-controlling interests. These financial statements should be read in conjunction with the audited consolidated financial statements and related footnotes as of and for the year ended December 31, 2010.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, the consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position as of September 30, 2011, and the results of operations and cash flows for the nine months ending September 30, 2011 have been included. The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year.

FASB Accounting Standards Codification

The issuance by the FASB of the Accounting Standards Codification™ (the "Codification") on July 1, 2009 (effective for interim or annual reporting periods ending after September 15, 2009), changes the way that GAAP is referenced. Beginning on that date, the Codification officially became the single source of authoritative nongovernmental GAAP; however, SEC registrants must also consider rules, regulations, and interpretive guidance issued by the SEC or its staff. The change affects the way the Company refers to GAAP in financial statements and in its accounting policies. All existing standards that were used to create the Codification became superseded. Instead, references to standards consist solely of the number used in the Codification's structural organization.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the allowance for doubtful accounts, stock-based compensation, accrued expenses pertaining to abandoned lease office space, the useful life of property and equipment, the assumptions used to calculate beneficial conversion on notes payable and common stock issued for services.

Non-controlling Interests in Consolidated Financial Statements

In December 2007, the FASB issued ASC 810-10-65, “Non-controlling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51,” (“SFAS No. 160”). This statement clarifies that a non-controlling (minority) interest in a subsidiary is an ownership interest in the entity that should be reported as equity in the consolidated financial statements. It also requires consolidated net income to include the amounts attributable to both the parent and non-controlling interest, with disclosure on the face of the consolidated income statement of the amounts attributed to the parent and to the non-controlling interest. This statement is effective for fiscal years beginning after December 15, 2008, with presentation and disclosure requirements applied retrospectively to comparative financial statements. In accordance with ASC 810-10-45-21, that losses attributable to the parent and the non-controlling interest in subsidiary may exceed their interests in the subsidiary’s equity. The excess and any further losses attributable to the parent and the non-controlling interest shall be attributed to those interests even if that attribution results in a deficit non-controlling interest balance. As of September 30, 2011, the Company recorded a non-controlling interest of \$36,506 in connection with our majority-owned subsidiary, DirectView Security Systems Inc. as reflected in the accompanying consolidated balance sheets.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company places its cash with a high credit quality financial institution. The Company’s account at this institution is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. In addition to the basic insurance deposit coverage, the FDIC is providing temporary unlimited coverage for non-interest bearing transaction accounts through December 31, 2012. For the nine months ended September 30, 2011 and for the year ended December 31, 2010, the Company has not reached bank balances exceeding the FDIC insurance limit. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value

measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3) from January 1, 2011 to September 30, 2011:

	Conversion feature derivative liability
Balance at January 1, 2011	\$ 57,112
Recognition of derivative liability	28,613
Conversion of derivative liability to equity	(37,143)
Change in fair value included in earnings	(9,787)
Balance at September 30, 2011	\$ 38,795

Total derivative liability at September 30, 2011 amounted to \$38,795.

Cash and cash equivalents include money market securities that are considered to be highly liquid and easily tradable as of September 30, 2011 and December 31, 2010. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

The carrying amounts reported in the balance sheet for cash, accounts receivable, accounts payable, accrued expenses, notes payable and due to related parties approximate their estimated fair market value based on the short-term maturity of these instruments. The carrying amount of the notes and convertible promissory notes approximates the estimated fair value for these financial instruments as management believes that such notes constitute substantially all of the Company's debt and the interest payable on the notes approximates the Company's incremental borrowing rate.

Accounts Receivable

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. At September 30, 2011 and December 31, 2010, management determined that an allowance is necessary which amounted to \$ 147,263 and \$139,280, respectively.

Advertising

Advertising is expensed as incurred. Advertising expenses for the nine months ended September 30, 2011 and 2010 were deemed to be not material.

Shipping Costs

Shipping costs are included in other selling, general and administrative expenses and were deemed to be not material for the nine months ended September 30, 2011 and 2010, respectively.

Inventories

Inventories, consisting of finished goods related to our products are stated at the lower of cost or market utilizing the first-in, first-out method.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Equipment

Property and equipment are carried at cost. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. The Company examines the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Impairment of Long-Lived Assets

Long-Lived Assets of the Company are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable, pursuant to guidance established in ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets". The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not consider it necessary to record any impairment charges during the nine months ended September 30, 2011 and 2010.

Income Taxes

Income taxes are accounted for under the asset and liability method as prescribed by ASC Topic 740: Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance, when in the Company's opinion it is likely that some portion or the entire deferred tax asset will not be realized.

Pursuant to ASC Topic 740-10: Income Taxes related to the accounting for uncertainty in income taxes, the evaluation of a tax position is a two-step process. The first step is to determine whether it is more likely than not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likelihood of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. The accounting standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. The adoption had no effect on the Company's consolidated financial statements.

Stock Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated condensed financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the “measurement date.” The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue Recognition

The Company follows the guidance of the FASB ASC 605-10-S99 “Revenue Recognition Overall – SEC Materials. The Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. When a customer order contains multiple items such as hardware, software, and services which are delivered at varying times, the Company determines whether the delivered items can be considered separate units of accounting. Delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of undelivered items, and if delivery of undelivered items is probable and substantially in the Company’s control.

The following policies reflect specific criteria for the various revenues streams of the Company:

Revenue is recognized upon completion of conferencing services. The Company generally does not charge up-front fees and bills its customers based on usage.

Revenue for video equipment sales and security surveillance equipment sales is recognized upon delivery and installation.

Revenue from periodic maintenance agreements is generally recognized ratably over the respective maintenance periods provided no significant obligations remain and collectability of the related receivable is probable.

Concentrations of Credit Risk and Major Customers

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company places its cash with high credit quality financial institutions. Almost all of the Company's sales are credit sales which are primarily to customers whose ability to pay is dependent upon the industry economics prevailing in these areas; however, concentrations of credit risk with respect to trade accounts receivables is limited due to generally short payment terms. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk.

During the nine months ended September 30, 2011, two customers accounted for 62% of the Company’s revenues. During the nine months ended September 30, 2010, four customers accounted for 88% of revenues.

As of September 30, 2011, one customer accounted for 11% of total accounts receivable. As of December 31, 2010, one customer accounted for 81% of total accounts receivable.

Related Parties

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also

include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to related party.

Net Loss per Common Share

Net loss per common share is calculated in accordance with ASC Topic 260: Earnings Per Share (“ASC 260”). Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net earnings per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. At September 30, 2011, the Company has 1,616,379 shares equivalent issuable pursuant to embedded conversion features. There were no dilutive common stock equivalents as of September 30, 2010.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS” (“ASU No. 2011-04”). ASU No. 2011-04 provides guidance which is expected to result in common fair value measurement and disclosure requirements between U.S. GAAP and IFRS. It changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. It is not intended for this update to result in a change in the application of the requirements in Topic 820. The amendments in ASU No. 2011-04 are to be applied prospectively. ASU No. 2011-04 is effective for public companies for interim and annual periods beginning after December 15, 2011. Early application is not permitted. This update is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income” (“ASU No. 2011-05”). In ASU No. 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The amendments in ASU No. 2011-05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. They also do not change the presentation of related tax effects, before related tax effects, or the portrayal or calculation of earnings per share. The amendments in ASU No. 2011-05 should be applied retrospectively. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. This update is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, “Intangibles — Goodwill and Other (Topic 350)” (“ASU No. 2011-08”). In ASU No. 2011-08, an entity is permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The ASU’s objective is to simplify how an entity tests goodwill for impairment. The amendments in ASU No. 2011-08 are effective for annual and interim goodwill and impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity’s financial statements for the most recent annual or interim period have not yet been issued. The Company is evaluating the requirements of ASU No. 2011-08 and has not yet determined whether a revised approach to evaluation of goodwill impairment will be used in future assessments. The Company does not expect the adoption of ASU No. 2011-08 to have a material impact on its condensed consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

NOTE 2 – GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements are prepared assuming the Company will continue as a going concern. At September 30, 2011, the Company had an accumulated deficit of approximately \$14.3 million, and a working capital deficiency of \$1,926,494. Additionally, for the nine months ended September 30, 2011, the Company incurred net losses of \$996,100 and had negative cash flows from operations in the amount of \$410,663. The ability of the Company to continue as a going concern is dependent upon increasing sales and obtaining additional capital and financing. During the nine months ended September 30, 2011, the Company received net proceeds from sale of stock of \$98,373 and sale of subsidiary's common stock of \$192,665 for working capital purposes. Management intends to attempt to raise additional funds by way of a public or private offering. While the Company believes in the viability of its strategy to increase sales volume and in its ability to raise additional funds, there can be no assurances to that effect. The Company's limited financial resources have prevented the Company from aggressively advertising its products and services to achieve consumer recognition.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2011

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Estimated life	September 30, 2011	December 31, 2010
Furniture and fixtures	3 years	\$ 2,771	\$ 2,771
Less: Accumulated depreciation		(2,244)	(2,019)
		\$ 527	\$ 752

For the nine months ended September 30, 2011 and 2010, depreciation expense amounted to \$225 for both periods.

NOTE 4 – NOTES PAYABLE

During fiscal 2008, the Company issued senior secured promissory notes aggregating \$85,500. These notes are payable either in cash or security equivalent at the option of the Company. The notes payable bear 8% interest per annum and shall be payable on April 1, 2009. The principal and accrued interest is convertible at the option of the note holder into shares of our common stock at a conversion price of \$0.50 per share (\$0.05 per share post-dividend). During fiscal 2008, the Company issued 139,562 shares (1,396,562 shares post-dividend) in connection with the conversion of principal amount of \$68,500 and accrued interest of \$1,280 of these notes payable. The fair value of such shares issued amounted to approximately \$69,780 or \$0.50 per share (\$0.05 per share post-dividend). The balance of the senior secured promissory note amounted to \$17,000 as of September 30, 2011 and December 31, 2010. In October 2009, the Company and the note holder agreed to extend the maturity date from April 2009 to April 2010. The maturity date of this note was subsequently extended to April 2011. The Company is currently in negotiations with the note holder to extend the maturity date.

During fiscal 2009, the Company classified \$45,000 3% unsecured notes payable from long-term to short-term. The maturity of these notes payable ranges from January 2010 to April 2010. The Company is currently in negotiations with the note holder to extend the maturity date and has accrued 12% interest per annum based on the default provision until such time this note is extended or settled.

In November 2009, the Company issued unsecured notes payable of \$20,000. The note is payable either in cash or security equivalent at the option of the Company. In the event the Company repays this note in shares of the Company's common stock at a rate of \$0.05 per share (\$0.005 per share post-dividend). The note payable bears 6% interest per annum and matures in May 2010. The Company may prepay these notes in cash or equivalent securities at any time without penalty. In January 2010, this note was satisfied by issuing a note payable to another unrelated party with the same terms and conditions except for its maturity date changes to January 2011. The Company is currently in negotiations with the note holder to extend the maturity date and has accrued 12% interest per annum based on the default provision until such time this note is extended or settled.

As of September 30, 2011 and December 31, 2010, notes payable - current portion amounted to \$82,000.

Accrued interest on the notes payable amounted to approximately \$20,741 and \$9,921 as of September 30, 2011 and December 31, 2010, respectively and is included in accrued expenses.

NOTE 5 – CONVERTIBLE PROMISSORY NOTES

In September 2010, the Company issued a convertible promissory note amounting to \$50,000. The note bears interest at 8% per annum and matures 9 months after issuance. The Company paid debt issuance cost of \$3,000 in connection with this note payable and is being amortized over the term of the note. The note is convertible at the option of the holder into shares of common stock beginning on the date which is 180 days after the date of this note, at a conversion price equal to 58% of the average of three lowest trading prices during the 10 trading day period of the Company's common stock prior to the date of conversion.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 – CONVERTIBLE PROMISSORY NOTES (continued)

In December 2010, the Company issued a convertible promissory note amounting to \$27,500 with the same terms and conditions of the convertible promissory note issued in September 2010. The Company paid debt issuance cost of \$2,500 in connection with this note payable and is being amortized over the term of the note.

In May 2011, the Company issued a convertible promissory note amounting to \$32,500 with the same terms and conditions of the convertible promissory note issued in September 2010 and December 2010. The Company paid debt issuance cost of \$2,500 in connection with this note payable and is being amortized over the term of the note.

In accordance with ASC 470-20-25, the convertible note was considered to have an embedded beneficial conversion feature (BCF) because the effective conversion price was less than the fair value of the Company's common stock. Therefore the portion of proceeds allocated to the convertible debentures of \$79,655 was determined to be the value of the beneficial conversion feature and was recorded as a debt discount and is being amortized over the term of the note. The Company evaluated whether or not the convertible note contains embedded conversion options, which meet the definition of derivatives under ASC 815-15 "Accounting for Derivative Instruments and Hedging Activities" and related interpretations. The Company concluded that the convertible notes issued in September 2010 and December 2010 are considered a derivative as of September 30, 2011. In addition, as of September 30, 2011, the note issued in May 2011 is not considered a derivative until after 180 days from the date of issuance.

As of September 30, 2011 and December 31, 2010, accrued interest including default interest amounted to \$39,712 and \$1,339, respectively. In June 2011, the Company has accrued the default interest rate which is 150% of the outstanding principal and accrued interest based on the default provision until such time the September 2010 note is extended or settled.

On October 10, 2011, the Company received a letter from legal counsel of a certain note holder which states that the Company was in default under series of 8% convertible promissory notes issued in September 2010 and December 2010 that matured in June 2011 and September 2011, respectively. The letter also indicated that due to the cross default provision contained in the note agreements, all of the notes for a total amount of \$70,000, including the convertible note issued in May 2011, are subject to default interest. The Company has accrued a total default interest of \$35,000 as of September 30, 2011. The Company is currently in negotiations with the note holder to settle these notes by either cash, equity or some combination thereof.

In March 2011, the Company issued 287,356 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of \$10,000.

In April 2011, the Company issued 431,034 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of \$15,000.

In July 2011, the Company issued 914,634 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of \$15,000.

Convertible promissory note consisted of the following:

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	September 30, 2011	December 31, 2010
Secured convertible promissory note	\$ 70,000	\$ 77,500
Less: debt discount	(10,563)	(39,585)
Secured convertible promissory note – net	\$ 59,437	\$ 37,915

As of September 30, 2011 and 2010, amortization of debt discount amounted to \$52,557 and \$2,255, respectively, and is included in interest expense. As of September 30, 2011 and 2010, amortization of debt issuance cost on these notes amounted to \$5,027 and \$167, respectively.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2011

NOTE 6 – DERIVATIVE LIABILITY

In June 2008, a FASB approved guidance related to the determination of whether a freestanding equity-linked instrument should be classified as equity or debt under the provisions of FASB ASC Topic No. 815-40, Derivatives and Hedging – Contracts in an Entity’s Own Stock. The adoption of this requirement will affect accounting for convertible instruments and warrants with provisions that protect holders from declines in the stock price ("down-round" provisions). Warrants with such provisions will no longer be recorded in equity and would have to be reclassified to a liability. The Issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted.

Instruments with down-round protection are not considered indexed to a company's own stock under ASC Topic 815, because neither the occurrence of a sale of common stock by the company at market nor the issuance of another equity-linked instrument with a lower strike price is an input to the fair value of a fixed-for-fixed option on equity shares.

ASC Topic 815 guidance is to be applied to outstanding instruments as of the beginning of the fiscal year in which the Issue is applied. The cumulative effect of the change in accounting principle shall be recognized as an adjustment to the opening balance of retained earnings (or other appropriate components of equity) for that fiscal year, presented separately. If an instrument is classified as debt, it is valued at fair value, and this value is re-measured on an ongoing basis, with changes recorded on the statement of operations in each reporting period. The Company did not have outstanding instruments with down-round provisions as of the beginning of fiscal 2009 thus no adjustment will be made to the opening balance of retained earnings.

In connection with the issuance of the 8% convertible promissory note, the Company has determined that the terms of the convertible note issued in September 2010 and December 2010 includes a provision whereby the conversion price equals 58% of the average of three lowest trading prices during the 10 trading day period of the Company’s common stock prior to the date of conversion. Accordingly, the convertible instrument is accounted for as a derivative liability as of September 30, 2011 (after 180 days from the date of issuance) and adjusted to fair value through earnings at each reporting date. The Company has recognized a derivative liability of \$38,795 as of September 30, 2011. The gain resulting from the decrease in fair value of this convertible instrument was \$9,787 for the nine months ended September 30, 2011. Additionally, during the nine months ended September 30, 2011, the Company has reclassified \$37,143 of derivative liability to additional paid in capital related to the partial conversion of the convertible promissory note issued in September 2010.

The Company used the following assumptions for determining the fair value of the convertible instruments granted under the Black-Scholes option pricing model:

	September 30, 2011
Expected volatility	195% - 245%
Expected term	3 months
Risk-free interest rate	0.02% - 0.09%
Expected dividend yield	0%

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 7 - STOCKHOLDERS' DEFICIT

In October 2010, the Board of Directors of the Company declared a dividend payable in shares of the Company's common stock to all stockholders of record on November 9, 2010. The dividend payment date is November 12, 2010. Each stockholder of the Company will receive nine shares of common stock for each one share owned on the record date. The Company has retroactively adjusted these financial statements to reflect such stock dividend.

Between January 2011 and September 2011, the Company received net proceeds of \$98,373 from the sale of 1,212,718 shares of the Company's common stock. The Company paid finder's fee of approximately \$10,000 in connection with this sale of stock.

In March 2011, the Company issued 287,356 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of \$21,670. The Company valued these common shares at the fair market value on the date of grant at \$0.04 per share.

In April 2011, an affiliated company for which our CEO, Roger Ralston, is a president and director, loaned \$30,000 to the Company. This loan is non interest bearing and is due on demand. In May 2011, the Company issued 600,000 shares of common stock in connection with the payment of this loan. The Company valued these common shares at the fair market value on the date of grant at \$0.05 per share.

In April 2011, the Company issued 431,034 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of \$15,000. The Company valued these common shares at the fair market value on the date of grant at \$0.04 per share.

In July 2011, the Company issued 914,634 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of \$15,000. The Company valued these common shares at the fair market value on the date of grant at approximately \$0.02 per share.

For the quarter ended September 30, 2011, the non-controlling interest portion of stockholders' deficit consists of the non-controlling interest related to DirectView Security Systems, Inc. ("DVSS"). During the nine months ended September 30, 2011, the Company received net proceeds of \$192,665 from the sales of shares of DVSS common stock to certain investors. Additionally, DVSS issued 500,000 shares of its common stock to the Company's CEO whereby the fair value of such shares amounted to \$475,000 or \$0.95 per share based on the recent sales of DVSS common stock and was recorded as stock based compensation during the nine months ended September 30, 2011. The Company accounted for this transaction in accordance with ASC 810-10-65, "Non-controlling Interests in Consolidated Financial Statements". This FASB issued guidance requires that changes in a parent's ownership interest in a subsidiary in which the parent retains its controlling financial interest be accounted for as equity transactions. As of September 30, 2011, such sales of 395,606 and issuance of 500,000 DVSS shares of common stock accounted for approximately 42% (23% accounts for DVSS stocks owned by the Company's CEO who is a majority shareholder of the Parent Company) of the total issued and outstanding stocks. Consequently, the Company holds the remaining 58% interest in DVSS and DVSS became a majority-owned subsidiary of the Company.

NOTE 8 - RELATED PARTY TRANSACTIONS

Due to Related Parties

During 2007 and 2006, the Company's principal officer loaned \$39,436 and \$14,400, respectively to the Company for working capital purposes. This debt carries 3% interest per annum and matures in July 2010. The amount due to such related party including accrued interest at September 30, 2011 and December 31, 2010 was \$59,499 and \$58,404, respectively. As of September 30, 2011 and December 31, 2010, this note was reflected as due to related party. In March 2011, the Company and the principal officer of the Company agreed to change the term of this promissory note into a demand note.

The Chief Executive Officer of the Company, from time to time, provided advances to the Company for operating expenses. At September 30, 2011 and December 31, 2010, the Company had a payable to the Chief Executive Officer of the Company amounting to \$83,282 and \$35,428, respectively. These advances are short-term in nature and non-interest bearing.

The Chief Financial Officer of the Company, from time to time, provided advances to the Company for operating expenses. At September 30, 2011 and December 31, 2010, the Company had a payable to the Chief Financial Officer of the Company amounting to \$8,869 and \$4,900, respectively. These advances are short-term in nature and non-interest bearing.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

NOTE 8 - RELATED PARTY TRANSACTIONS (continued)

In March 2009, the Company issued a promissory note amounting to \$20,000 to the Chief Executive Officer of the Company. This note is payable in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and was payable in September 2009. In October 2009, the Company and the Chief Executive Officer of the Company agreed to change the term of this promissory note into a demand note.

In May 2009, the Company issued a promissory note amounting \$5,000 to the Chief Executive Officer of the Company. This note is payable in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and shall be payable in November 2009. In November 2009, the Company and the Chief Executive Officer of the Company agreed to change the term of this promissory note into a demand note.

In June 2009, the Company issued a promissory note amounting \$22,000 to the Chief Executive Officer of the Company. This note is payable either in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and shall be payable in June 2010.

Accrued interest on the notes payable to the Chief Executive Officer of the Company amounted to \$13,483 and \$9,253 as of September 30, 2011 and December 31, 2010, respectively and is included in due to related parties in the Company's balance sheet.

The Company had accrued salaries payable to the Chief Executive Officer and a Principal Officer of the Company as of September 30, 2011 and December 31, 2010 totaling to \$609,807 and \$506,805, respectively and has been included in accrued expenses.

In March 2011, DVSS issued 500,000 shares of its common stock to the Company's CEO whereby the fair value of such shares amounted to \$475,000 or \$0.95 per share based on the recent sales of DVSS common stock and was recorded as stock based compensation during the nine months ended September 30, 2011.

NOTE 9 - ACCRUED PAYROLL TAXES

As of September 30, 2011, the Company recorded a liability related to unpaid payroll taxes including interest and penalties for the year ended December 31, 2007 to September 30, 2011 for \$172,114. Such amount has been included in accrued expenses in the accompanying consolidated financial statements.

NOTE 10 - SUBSEQUENT EVENTS

On October 10, 2011, the Company received a letter from legal counsel to a certain note holder which states that the Company was in default under series of 8% convertible promissory notes issued in September 2010 and December 2010 that matured in June 2011 and September 2011, respectively (see Note 5). The letter also indicated that due to the cross default provision contained in the note agreements, all of the notes for a total amount of \$70,000, including the convertible note issued in May 2011, are subject to default interest. The Company has accrued a total default interest of \$35,000 as of September 30, 2011.

The Company has evaluated subsequent events after the balance sheet date of September 30, 2011 through the filing of this report and has determined that all material subsequent events have been disclosed.

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

Overview

Our operations are conducted within two divisions:

- Our video conferencing divisions which is a full-service provider of teleconferencing products and services to businesses and organizations, and
- Our security division which provides surveillance systems, digital video recording and services to businesses and organizations

Our video conferencing products and services enable our clients to cost-effectively conduct remote meetings by linking participants in geographically dispersed locations. Our primary focus is to provide high value-added conferencing products and services to organizations such as commercial, government, medical and educational sectors. We generate revenue through the sale of conferencing services based upon usage, the sale and installation of video equipment and the sale of maintenance agreements.

We are also a provider of the latest technologies in surveillance systems, digital video recording and services. The systems provide onsite and remote video and audio surveillance. We generate revenue through the sale and installation of surveillance systems and the sale of maintenance agreements.

Our company was formed in October 2006. Immediately thereafter we acquired Ralston Communication Services and Meeting Technologies from DirectView, Inc., a Nevada corporation of which Mr. and Mrs. Ralston were officers and directors immediately prior to such acquisition, in exchange for the assumption by us of these subsidiaries working capital deficiencies and any and all trade credit and other liabilities. Both of these entities had historically provided the video conferencing services we continue to provide. Thereafter, in February 2007 we formed DirectView Security Systems, Inc. and in July 2007 we formed DirectView Video. Directview Security began offering services and products immediately from inception.

Our net sales are not sufficient to fund our operating expenses. We have relied upon funds from the issuance of notes, the sale of common stock and advances from our executive officers to provide working capital to our company. These funds, however, are not sufficient to pay all of our expenses nor to provide the additional capital we believe is necessary to permit us to market our company in an effort to increase our sales. We are always looking for opportunities with new dealers, and plan to evaluate the market for our products throughout 2011 to determine whether we should hire additional employees in our sales force. We seek to establish brand identity for our company, communicate our brand and its values to investors and customers, build a relationship and reinforce existing relationships and further trigger recognition through telemarketing and hiring additional sales people to our sales staff. We believe that these strategies will provide an avenue for us to increase consumer usage of our technology, increase demand for our products and generate revenues. No assurance can be provided that we will successfully implement our strategy. We are subject to significant business risks and may need to raise additional capital in order to realize and effectuate the above strategy.

Our experience has demonstrated that our ability to raise capital is generally limited. Following the effectiveness of our registration statement in fiscal 2009, we became subject to the reporting obligations of the Securities Exchange Act of 1934 and require us to file quarterly and annual reports, among other filings, with the Securities and Exchange Commission, and we hope to obtain a quotation of our common stock on the OTC Bulletin Board. We believe that both of these actions will increase our opportunities to raise the necessary capital to continue our business in that there will be public information available on our company and our financial condition and a trading market for our common

stock. There are no assurances, however, that our assumption is correct. We may not be successful in obtaining the quotation of our common stock on the OTC Bulletin Board and even if we are successful there are no assurances a meaningful market for our common stock will develop. The uncertainty in the capital markets, the small size of our company and the low barriers to entry in our market make our company less attractive to prospective investors and we may never be successful in raising the needed capital. In addition, our operating expense increased because we incurred higher professional fees to comply with the reporting requirements of the Securities Exchange Act of 1934. If we are unable to raise the necessary capital, we will not be able to expand our business and our ability to continue as a going concern will be in jeopardy.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management's applications of accounting policies. Critical accounting policies for our company include revenue recognition and accounting for stock based compensation.

Revenue Recognition

We follow the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin 104 for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. When a customer order contains multiple items such as hardware, software, and services which are delivered at varying times, we determine whether the delivered items can be considered separate units of accounting. Delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of undelivered items, and if delivery of undelivered items is probable and substantially in our control. The following policies reflect specific criteria for our various revenues streams:

- Revenue is recognized upon completion of conferencing services. We generally do not charge up-front fees and bill our customers based on usage.
- Revenue for video equipment sales and security surveillance equipment sales is recognized upon delivery and installation.
- Revenue from periodic maintenance agreements is generally recognized ratably over the respective maintenance periods provided no significant obligations remain and collectability of the related receivable is probable.

Stock based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated condensed financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date." The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. We initially record compensation expense based on the fair value of the award at the reporting date.

Use of Estimates

The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Account Receivable

We have a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

Property and equipment are carried at cost. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. The Company examines the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Income Taxes

Income taxes are accounted for under the asset and liability method as prescribed by ASC Topic 740: Income Taxes (“ASC 740”). It requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probably that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and we intend to settle our current tax assets and liabilities on a net basis.

Pursuant to accounting standards related to the accounting for uncertainty in income taxes, a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The adoption had no effect on our financial statements.

Recent accounting pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS” (“ASU No. 2011-04”). ASU No. 2011-04 provides guidance which is expected to result in common fair value measurement and disclosure requirements between U.S. GAAP and IFRS. It changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. It is not intended for this update to result in a change in the application of the requirements in Topic 820. The amendments in ASU No. 2011-04 are to be applied prospectively. ASU No. 2011-04 is effective for public companies for interim and annual periods beginning after December 15, 2011. Early application is not permitted. This update is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income" ("ASU No. 2011-05"). In ASU No. 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The amendments in ASU No. 2011-05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. They also do not change the presentation of related tax effects, before related tax effects, or the portrayal or calculation of earnings per share. The amendments in ASU No. 2011-05 should be applied retrospectively. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. This update is not expected to have a material impact on the Company's condensed consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, “Intangibles — Goodwill and Other (Topic 350)” (“ASU No. 2011-08”). In ASU No. 2011-08, an entity is permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The ASU’s objective is to simplify how an entity tests goodwill for impairment. The amendments in ASU No. 2011-08 are effective for annual and interim goodwill and impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity’s financial statements for the most recent annual or interim period have not yet been issued. The Company is evaluating the requirements of ASU No. 2011-08 and has not yet determined whether a revised approach to evaluation of goodwill impairment will be used in future assessments. The Company does not expect the adoption of ASU No. 2011-08 to have a material impact on its condensed consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Results of Operations

Three and Nine months ended September 30, 2011 Compared to the Three and Nine months ended September 30, 2010

Net Sales

Overall, our net sales for the three and nine months ended September 30, 2011 decreased approximately 74% and 78%, respectively from the comparable periods in 2010. The following table provides comparative data regarding the source of our net sales in each of these periods:

	Three months ended September 30, 2011		Three months ended September 30, 2010	
	\$	% of Total	\$	% of Total
Video conferencing services	13,976	34%	4,375	4%
Security services	27,379	66%	100,184	96%
Total	41,355	100%	104,559	100%

	Nine months ended September 30, 2011		Nine months ended September 30, 2010	
	\$	% of Total	\$	% of Total
Video conferencing services	28,819	18%	53,138	8%
Security services	134,361	82%	594,185	92%
Total	163,180	100%	647,323	100%

Net sales of our videoconference services for the nine months ended September 30, 2011 decreased approximately 46% as compared to the nine months ended September 30, 2010. Videoconference product revenue decreased due to a decrease in maintenance, service and video conference room and equipment rental income during the nine months ended September 30, 2011. Videoconference product revenue fell during the nine months ended September 30, 2011 because we have focused our efforts on our security service operations.

Net sales of security services for the three and nine months ended September 30, 2011 decreased by approximately 73% and 77%, respectively as compared to the same periods in 2010.

During the three months ended September 30, 2011, one customer accounted for approximately 46% of our total revenues which accounted for revenues of approximately \$19,000 of our consolidated revenues during the three months ended September 30, 2011. During the nine months ended September 30, 2011, two customers accounted for approximately 62% of our total revenues which accounted for revenues of approximately \$101,000 of our consolidated revenues during the nine months ended September 30, 2011. During the three months ended September 30, 2010, two new customers accounted for approximately \$93,000, representing approximately 89% of our consolidated revenues during the three months ended September 30, 2010. During the nine months ended September 30, 2010, four new customers accounted for approximately \$568,000, representing approximately 88% of our consolidated revenues during the nine months ended September 30, 2010. In December 2009, we had entered into a one year subcontractor agreement with three of these clients. Currently, we do not presently have any contracts with other clients except for Diebold Enterprise Security Systems, Inc. thereby decreasing our revenues during the three and nine months ended September 30, 2011.

Additionally, we experienced increased competition from competitors that sell similar products. In an effort to increase our sales in future periods, we need to hire additional sales staff to initiate a telemarketing campaign and we need to obtain leads from various lead sources such as lead generating telemarketing lists, email marketing campaigns and other sources. However, given our lack of working capital, we cannot assure that we will ever be able to successfully implement our current business strategy or increase our revenues in future periods. Although we recognized sales during the nine months ended September 30, 2011, there can be no assurances that we will continue to recognize similar revenues in the future.

Cost of sales

Cost of sales for video conferencing services includes product and delivery costs relating to the delivery of videoconference products. Cost of sales for security services includes product cost and installation/labor cost. Overall, cost of sales as a percentage of revenues decreased approximately 10% for the nine months ended September 30, 2011 from the comparable period in 2010. The following table provides information on the cost of sales as a percentage of net sales for the nine months ended September 30, 2011 and 2010:

Cost of Sales as a Percentage of Net Sales	Nine months ended	
	2011	September 30, 2010
Video conferencing services	15%	6%
Security services	47%	66%
Total	62%	72%

During the nine months ended September 30, 2011, our cost of sales for our videoconferencing division as a percentage of net sales increased as compared to the nine months ended September 30, 2010. Our cost of sales as a percentage of net sales for our videoconferencing division increased due to the decrease in revenues specifically in our maintenance and service income as compared to the nine months ended September 30, 2010.

During the nine months ended September 30, 2011, our cost of sales for our security division as a percentage of net sales decreased as compared to the nine months ended September 30, 2010. The decrease is primarily attributable to the decrease in labor cost as a result of the decrease in contract clients during such period. The decrease in cost of sales for our security division reflects the decrease in security service revenues during the nine months ended September 30, 2011.

Total operating expenses for the three months ended September 30, 2011 were \$173,081, a decrease of \$63,687, or approximately 27%, from total operating expenses for the comparable three months ended September 30, 2010 of \$236,768. Total operating expenses for the nine months ended September 30, 2011 were \$1,113,993, an increase of \$414,697, or approximately 59%, from total operating expenses for the comparable nine months ended September 30, 2010 of \$699,296. This increase is primarily attributable to:

- Bad debt expense decreased by \$45,200 or 85% during the nine months ended September 30, 2011 and a decrease of \$53,137 or 100% during the three months ended September 30, 2011. Such decrease is due to the decrease in write-off of our accounts receivable as a result of the decrease in our revenues during the three and nine months ended September 30, 2011;
- Compensation, related taxes and stock-based compensation consists of personnel cost and the fair value of common shares issued for services to employees. An increase of \$418,965 or 101% in compensation expense during the nine months ended September 30, 2011 which is primarily attributable to the issuance of DVSS shares to our CEO whereby the fair value of such shares amounted to \$475,000 or \$0.95 per share based on the recent sales of DVSS

common stock, increase of approximately \$37,500 in compensation of our CEO based on his employment agreement and offset by decrease in compensation of approximately \$99,000 of our security division due to decrease in full time employees;

- an increase of \$9,427 or 17% and \$40,932 or 18% during the three and nine months ended September 30, 2011, respectively, as compared to same periods in fiscal 2010 in other selling, general and administrative expenses as summarized below:

	Three months ended September 30,	
	2011	2010
Auto expense	\$ 3,077	\$ 5,102
Health insurance	7,362	6,160
Telephone and communications	4,631	11,403
Travel and entertainment	5,216	6,052
Marketing	492	2,175
Other	43,723	24,182
	\$ 64,501	\$ 55,074

	Nine months ended September 30,	
	2011	2010
Auto expense	\$ 17,687	\$ 21,118
Health insurance	24,539	14,544
Telephone and communications	16,185	36,625
Travel and entertainment	16,506	48,015
Marketing	47,993	4,783
Other	149,858	106,751
	\$ 272,768	\$ 231,836

The increase in other selling, general and administrative expenses is primarily attributable to the following changes in these expenses from the three and nine months ended September 30, 2011 as compared to the three and nine months ended September 30, 2010:

- 1) Auto expenses decreased by \$2,025 or 40% and \$3,431 or 16%, during the three and nine months ended September 30, 2011, respectively, as a result of cost cutting measures.
- 2) Health insurance expense increased by \$1,202 or 20% and \$9,995 or 69% during the three and nine months ended September 30, 2011, respectively, due to an increase in health insurance coverage.
- 3) Telephone and communications expenses decreased by \$6,772 or 59% and \$20,440 or 56% during the three and nine months ended September 30, 2011, respectively, due to cost cutting measures.
- 4) Travel and entertainment expenses decreased by \$836 or 14% and \$31,509 or 66% during the three and nine months ended September 30, 2011, respectively, due to decreased sales-related travel and cost cutting measures.
- 5) Marketing expenses (decreased) increased by \$1,683 or 77% and \$43,210 or 903% during the three and nine months ended September 30, 2011, respectively. During the three and nine months ended September 30, 2011, we paid marketing and sales consulting to promote our products and services.
- 6) Other selling, general and administrative expenses, which includes professional fees, rent expense, postage, general insurance, and office supplies, utilities and expenses increased overall by \$19,541 or 81% and \$43,107 or 40% during the three and nine months period September 30, 2010, respectively. The increase during the three and nine months ended September 30, 2011 is primarily attributable to an increase in audit fees and office expenses.

We presently anticipate that operating expenses for fiscal 2011 will increase as a result of increased operations in our security division, subject to our ability to generate operating capital.

Loss from operations

We reported a loss from operations of \$161,577 and \$1,051,898 for the three and nine months ended September 30, 2011, respectively, as compared to a loss from operations of \$223,917 and \$517,219 for the three and nine months ended September 30, 2010, respectively. A (decrease) increase of (\$62,340) or 28% and \$534,679 or 103% for the three and nine months ended September 30, 2011, respectively.

Other Income (Expenses)

Total other (expense) income was (\$29,406) and (\$120,247) for the three and nine months ended September 30, 2011, respectively, as compared to other (expense) income of \$(9,719) and (\$35,490) for the three and nine months ended September 30, 2010, respectively. An increase of other expense of \$19,687 or 203% and \$84,757 or 239%, for the three and nine months ended September 30, 2011, respectively is primarily attributable to:

- an increase to \$5,118 from \$0 of other income for the three months ended September 30, 2011 and 2010, respectively, and a decreased from \$10,431 to \$29,026 of other income for the nine months ended September 30, 2011 and 2010, respectively, was attributable to the reduction of accounts payable over four years old that management has deemed forgiven;
- an increase of \$25,288 and \$52,075 in interest expense for the three and nine months ended September 30, 2011, respectively, as compared to the same periods in 2010. The increase is primarily attributable to amortization of debt issuance cost and debt discount in connection with the convertible promissory notes during the same periods in fiscal 2010.
- change in fair value of derivative liabilities consist of income or expense associated with the change in the fair value of derivative liabilities as a result of the application of FASB ASC Topic No. 815-40, Derivatives and Hedging – Contracts in an Entity’s Own Stock, to our consolidated financial statements. The variation in fair value of the derivative liabilities between measurement dates amounted to a decrease of \$9,787 during the nine months ended September 30, 2011. The increase/decrease in fair value of the derivative liabilities has been recognized as other expense/income. An increase of \$28,613 in derivative liability expense during the three and nine months ended September 30, 2011, in connection with a convertible promissory note issued in December 2010.

Net loss

We reported a net loss of \$190,983 and \$1,172,145 for the three and nine months ended September 30, 2011, respectively, as compared to a net loss of \$233,636 and \$552,709 for the three and nine months ended September 30, 2010, respectively. We reported net loss attributable to non-controlling interest and DirectView Holdings, Inc. of \$5,717 and \$185,266 during the three months ended September 30, 2011. We reported net loss attributable to non-controlling interest and DirectView Holdings, Inc. of \$176,045 and \$996,100 during the nine months ended September 30, 2011.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At September 30, 2011, we had a cash balance of \$0. Our working capital deficit is \$1,926,494 at September 30, 2011.

We reported a net decrease in cash for the nine months ended September 30, 2011 of \$7,288. While we currently have no material commitments for capital expenditures, at September 30, 2011 we owed approximately \$152,000 under

various notes payable. During the nine months ended September 30, 2011, we have raised net proceeds from an additional \$291,038 through the sale of our securities, \$30,000 through the issuance of convertible promissory note and \$81,823 from related party advances. We do not presently have any external sources of working capital.

At September 30, 2011 we owed Mr. and Mrs. Michele Ralston, executive officers and directors of our company \$212,133 for amounts they have advanced to us for working capital. Of this amount, \$83,282 and \$8,869 which is owed to Mr. Roger Ralston and Mrs. Michele Ralston, respectively are short-term and non-interest bearing. Due on demand notes payable aggregating \$25,000 and a \$22,000 note payable maturing in June 2010 plus accrued interest of \$13,483 is owed to Mr. Ralston which bears interest at 12%, and the remaining \$59,499, which includes accrued interest is due Mrs. Michele Ralston under a note bearing interest at 3% per annum and due in July 2010. In March 2011, the Company and Mrs. Michele Ralston agreed to change the term of this promissory note into a demand note.

Accrued liabilities as of September 30, 2011 consist of the following:

- Accrued salaries to our officers and certain employees amounting to \$688,391
- Accrued commissions to certain employees amounting to \$60,590
- Accrued payroll taxes including interest and penalties of \$172,114
- Sales tax payable of \$18,315
- Lease abandonment charges of \$153,816
- Accrued interest of \$60,267
- Other accrued expenses of \$15,109

Our net sales are not sufficient to fund our operating expenses. We will need to raise significant additional capital to fund our operating expenses, pay our obligations, and grow our company. We reported a net loss of \$1,172,145 and net loss attributable to DirectView Holdings Inc. of \$996,100 during the nine months ended September 30, 2011. At September 30, 2011 we had a working capital deficit of \$1,926,494. We will need to raise significant additional capital to fund our operating expenses, pay our obligations, and grow our company. We do not anticipate we will be profitable during the remainder of fiscal 2011. Therefore our operations will be dependent on our ability to secure additional financing. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. The trading price of our common stock and a downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our marketing and development plans and possibly cease our operations. Furthermore we have debt obligations, which must be satisfied. If we are successful in securing additional working capital, we intend to increase our marketing efforts to grow our revenues. We do not presently have any firm commitments for any additional capital and our financial condition as well as the uncertainty in the capital markets may make our ability to secure this capital difficult. There are no assurances that we will be able to continue our business, and we may be forced to cease operations in which event investors could lose their entire investment in our company. Included in our Notes to the financial statements for the nine months ended September 30, 2011 is a discussion regarding Going Concern.

Operating activities

Net cash flows used in operating activities for the nine months ended September 30, 2011 amounted to \$410,663 and was primarily attributable to our net loss attributable to DirectView Holdings, Inc. of \$996,100, offset by depreciation of \$225, derivative liability expense of \$28,613, stock based expenses of \$475,000, lease abandonment charges of \$11,070, amortization of debt issuance cost and debt discount of \$57,584, bad debt expense of \$7,987, total changes in assets and liabilities of \$190,790 and offset by change in fair value of derivative liability of \$9,787 and non-controlling interest of 176,045. Net cash flows used in operating activities for the nine months ended September 30, 2010 amounted to \$487,745 and was primarily attributable to our net losses of \$552,709, offset by depreciation of \$225, stock based expenses of \$37,654, lease abandonment charges of \$10,021, bad debt expense of \$53,187, amortization of debt issuance cost and debt discount of \$2,422 and add back total changes in assets and liabilities of \$38,545.

Financing activities

Net cash flows provided by financing activities was \$403,375 for the nine months ended September 30, 2011. We received net proceeds from sale of stock of \$98,373, net proceeds from sale of subsidiary's stock of \$192,665 and related party advances of \$81,823. Net cash flows provided by financing activities was \$438,823 for the nine months ended September 30, 2010. We received net proceeds from sale of stock of \$351,139, loans payable of \$34,514 and note payable of \$47,000.

Marketing and public relations agreement

In January 2010, we had entered into a one year marketing and public relations agreement. The marketing company will provide services to promote and market foreign exposure of the Company and to find companies for potential merger and acquisition as defined in this agreement. We have renewed such agreement for another year.

In January 2010, we had entered into another marketing and public relations agreement. The agreement was effective beginning as of January 15, 2010 to December 31, 2010. The marketing company will provide services to promote and market foreign exposure of the Company and to find companies for potential merger and acquisition as defined in this agreement. During the nine months ended September 30, 2011, the Company has paid finder's fees of approximately \$204,000 to this company in connection with sales of our stock. We have renewed such agreement for another year.

Contractual Obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of September 30, 2011, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

	Total	Payments Due by Period			
		Less than 1 year	1-3 Years	4-5 Years	5 Years +
Contractual Obligations :					
Short term loans- unrelated party	\$ 152,000	152,000	—	—	—
Short term loans- related party	212,133	212,133	—	—	—
Operating Leases	153,816	153,816	—	—	—
Total Contractual Obligations:	\$ 517,949	517,949	—	—	—

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 4T. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our management, including Roger Ralston, our chief executive officer, and Michele Ralston, our chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2011.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our chief executive officer and our chief financial officer. Based on that evaluation, our management, including Roger Ralston, our Chief Executive Officer, and Michele Ralston, our Chief Financial Officer, concluded that because of the significant deficiencies in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of September 30, 2011.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(F) and 15d-15(F) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404") on an annual basis. As previously reported on our Form 10-K for the year ended December 31, 2010, management identified significant deficiencies related to (i) our internal audit functions and (ii) a lack of segregation of duties within accounting functions.

Management has determined that our internal audit function is significantly deficient due to insufficient qualified resources to perform internal audit functions.

Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.

We believe that the foregoing steps will remediate the material weaknesses identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate. Due to the nature of these material weaknesses in our internal control over financial reporting, there is more than a remote likelihood that misstatements which could be material to our annual or interim financial statements could occur that would not be prevented or detected.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

- 31.1 Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) certificate of Principal Financial Officer
- 32.1 Section 1350 certification of Chief Executive Officer and Chief Financial Officer
- 101.INS** XBRL Instance
- 101.SCH** XBRL Taxonomy Extension Schema
- 101.CAL** XBRL Taxonomy Extension Calculation
- 101.DEF** XBRL Taxonomy Extension Definition
- 101.LAB** XBRL Taxonomy Extension Labels
- 101.PRE** XBRL Taxonomy Extension Presentation

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

DIRECTVIEW HOLDINGS, INC.

Date: November 21, 2011

By: /s/ Roger Ralston
Roger Ralston
Chief Executive Officer

Date: November 21, 2011

By: /s/ Michele Ralston
Michele Ralston
Chief Financial Officer