

300,560,090 shares of the small business issuer's common stock outstanding.

Transitional Small Business Disclosure Format (Check one) Yes [] No [X]

References in this report to "DirectView", "we", "us" and "our" are to DirectView, Inc. a Nevada corporation, and our subsidiaries Ralston Communications, Inc., a Florida corporation, Ralston Communication Services, Inc., a Florida Corporation, and Meeting Technologies, Inc., a Delaware corporation. The information which appears on our web site at www.directviewinc.com is not part of this quarterly report.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This quarterly report contains forward-looking. These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "project," "contemplate," "would," "should," "could," or "may." With respect to any forward-looking statement that includes a statement of its underlying assumptions or bases, we believe such assumptions or bases to be reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, we express an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished. All subsequent written and oral forward-looking statements attributable to us, or anyone acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

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DIRECTVIEW, INC.
FORM 10-QSB
QUARTERLY PERIOD ENDED JUNE 30, 2006

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DIRECTVIEW, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET
 June 30, 2006
 (Unaudited)

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ASSETS

<s>	<c>		
CURRENT ASSETS:			
Cash	\$ 2,336		
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$25,198)			39,552
Inventory	4,375		
Other Current Assets	5,899		

Total Current Assets		52,162	
PROPERTY AND EQUIPMENT - Net			2,103
RESTRICTED INVESTMENT IN MARKETABLE SECURITIES			11,642
OTHER ASSETS	8,801		

Total Assets	\$ 74,708		
	=====		

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES:

Loans Payable	\$ 222,100
Accounts Payable	443,260
Accrued Expenses	132,380
Accrued Registration Rights Penalty	468,480
Deferred Revenue	19,616
Customer Deposits	31,077
Derivative Liability - Convertible Debentures	1,409,824
Derivative Liability - Warrants	1,104,687
Due to Stockholder	242,997

Total Current Liabilities	4,074,421
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LONG-TERM LIABILITIES:

Deferred Revenue	9,390
Convertible Debentures Payable, net	109,447

Total Liabilities	4,193,258
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SHAREHOLDERS' DEFICIT:

Preferred Stock (\$0.0001 Par Value; 4,900,000 Shares Authorized; No Shares Issued and Outstanding)	-
Series 1 Voting Preferred Stock (\$0.0001 Par Value; 100,000 shares authorized ; 100,000 Shares Issued and Outstanding; Liquidation Preference \$1,000)	10
Common Stock (\$0.0001 Par Value; 2,500,000,000 Shares Authorized; 300,060,090 Shares Issued and Outstanding)	30,006
Additional Paid-in Capital	9,284,309
Accumulated Deficit	(13,432,875)

Total Shareholders' Deficit	(4,118,550)
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Total Liabilities and Shareholders' Deficit	\$ 74,708
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See accompanying notes to unaudited consolidated financial statements.

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2006	2005	2006	2005	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<s> NET SALES	<c> \$ 183,357	<c> \$ 95,222	<c> \$ 312,472	<c> \$ 322,931	
COST OF SALES	84,403	92,651	184,827	263,062	
GROSS PROFIT	98,954	2,571	127,645	59,869	
OPERATING EXPENSES:					
Depreciation and Amortization		75	2,699	150	5,329
Bad Debt Expenses	-	19,000	4,000	19,000	
Professional Fees	29,676	26,988	49,573	52,876	
Rent	16,686	20,104	31,310	38,158	
Compensation	94,535	199,274	184,993	416,570	
Stock-Based Consulting	-	30,042	-	221,959	
Other Selling, General and Administrative		78,461	181,006	199,730	276,444
Total Operating Expenses		219,433	479,113	469,756	1,030,336
LOSS FROM OPERATIONS		(120,479)	(476,542)	(342,111)	(970,467)
OTHER INCOME (EXPENSES):					
Other Income	3,640	-	9,425	18,863	
Loss from Sale of Marketable Securities	-	-	-	(137)	(167,926)
Loss from Impairment of Marketable Securities	-	-	(1,283,065)	-	(1,283,065)
Derivative Liability Income (Expense)	631,490		(1,322,182)		-
Registration Rights Penalty	(183,721)		(468,480)		-
Interest Income	35	276	88	276	
Interest Expense	(140,997)	(44,042)	(232,152)	(48,921)	
Total Other Income (Expenses)	310,447	(1,326,831)	(2,013,438)	(1,480,773)	
NET INCOME (LOSS)	189,968	(1,803,373)	(2,355,549)	(2,451,240)	
OTHER COMPREHENSIVE GAIN:					
Unrealized Gain on Marketable Securities		-	1,113,031	-	1,282,950
COMPREHENSIVE INCOME (LOSS)	\$ 189,968	\$ (690,342)	\$ (2,355,549)	\$ (1,168,290)	
NET INCOME (LOSS) PER COMMON					
SHARE - Basic	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	
SHARE - Diluted	\$ -	\$ (0.01)	\$ -	\$ (0.01)	

WEIGHTED AVERAGE COMMON SHARES

OUTSTANDING - Basic	297,826,757	288,474,376	294,963,404	281,564,388
OUTSTANDING - Diluted	841,045,061	288,474,376	294,963,404	281,564,388

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See accompanying notes to unaudited consolidated financial statements.

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DIRECTVIEW, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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For the Six Months Ended
June 30,

2006 2005

(Unaudited) (Unaudited)

<s>

<c> <c>

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Loss	\$ (2,355,549)	\$ (2,451,240)
Adjustments to Reconcile Net Loss to Net Cash Flows		
Used in Operating Activities:		
Depreciation and amortization	150	5,329
Stock-based compensation	38,750	332,859
Other income	(9,425)	(18,863)
Amortization of discount on debentures payable	167,741	41,627
Loss from sale of marketable securities	137	167,926
Loss from Impairment of Marketable Securities	-	1,283,065
Bad debt	4,000	19,000
Non-cash derivative liability expenses	1,322,182	-
Registration right penalty	468,480	-
(Increase) Decrease in:		
Accounts receivable	51,305	140,398
Inventory	(4,375)	-
Other current assets	(1,229)	(4,204)
Increase (Decrease) in:		
Accounts payable	47,179	2,739
Accrued expenses	87,899	(19,160)
Customer deposits	12,577	-
Deferred revenue	(3,914)	(2,900)

Net Cash Flows Used in Operating Activities (174,092) (503,424)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	-	(1,000)
Proceeds from sale of marketable securities	13,235	31,834

Net Cash Flows Provided by Investing Activities	13,235	30,834
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from debentures payable	150,000	-
Placement fees paid	(20,000)	-
Proceeds from loans payable	-	875,000
Payments on loans payable	-	(93,000)
Payments on advances from shareholder	(8,893)	(37,111)

Net Cash Flows Provided by Financing Activities	121,107	744,889
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Net (Decrease) Increase in Cash	(39,750)	272,299
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Cash - Beginning of Period	42,086	7,045
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Cash - End of Period	\$ 2,336	\$ 279,344
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$ -	\$ 3,233
Income Taxes	\$ -	\$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Discount on debentures payable associated with derivative liabilities	\$ 1,130,000	\$ -
Accrued interest payable reclassified to debentures payable	\$ 62,329	\$ -
Common stock issued for deferred debt issuance costs	\$ -	\$ 180,000
Grant of stock warrants in connection with loan payable	\$ -	\$ 74,831

</table>

See accompanying notes to unaudited consolidated financial statements.

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

Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, the financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature. These consolidated financial statements should be read in conjunction with the financial statements for the year ended December 31, 2005 and notes thereto contained in the Report on Form 10-KSB of DirectView, Inc. ("our Company" or the "Company"), as filed with the Securities and Exchange Commission (the "Commission"). The results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results for the full fiscal year ending December 31, 2006.

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 of the Company include the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated.

Organization

The Company is a full-service provider of teleconferencing products and 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. DirectView's primary focus is to provide high value-added conferencing products and services to organizations such as professional service firms, investment banks, high tech companies, law firms, investor relations firms, and other domestic and multinational companies.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in 2006 and 2005 include the allowance for doubtful accounts and the useful life of property, plant and equipment, the valuation of derivative liabilities, the accrual of registration rights penalties, and the valuation of stock-based compensation.

Reclassifications

Certain prior period balances have been reclassified to conform to the current year's presentation. These reclassifications had no impact on previously reported results of operations or shareholders' deficit.

Fair value of financial instruments

The carrying amounts reported in the balance sheet for cash, accounts receivable, inventory, accounts payable and accrued expenses, and loans payable approximate their fair market value based on the short-term maturity of these

instruments.

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DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

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

Accounts receivable

Accounts receivable are reported at net realizable value. The Company has established an allowance for doubtful accounts based upon factors pertaining to the credit risk of specific customers, historical trends, and other information. Delinquent accounts are written-off when it is determined that the amounts are uncollectible. At June 30, 2006, the allowance for doubtful accounts was \$25,198.

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. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", 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.

Revenue recognition

The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin 104 for revenue recognition. In general, 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 collectibility 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 as prescribed under Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 states that 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 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 collectibility of the related receivable is probable.

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DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

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

Marketable equity securities

At June 30, 2006, the Company holds 660,449 shares of a United Kingdom Corporation (the "Investee") pursuant to a stock-exchange agreement whereby the Company originally issued 47,500,000 of its shares of common stock in exchange for 1,218,225 shares of Investee's stock (net of 105,672 shares paid to the placement agent as a fee). At June 30, 2006, the Company holds all 660,449 shares of the Investee in an escrow account which may not be released without the Investee's permission until July 2006. If the average of the closing bid prices per share of the Company's common stock during the 10 trading days immediately preceding July 30, 2006 ("Average Closing Bid Price") is below \$0.0505, the Investee will repurchase a proportion of its shares held in escrow at a price of approximately \$0.02 per share. The proportion to be repurchased is computed using the difference between \$0.0505 and the Average Closing Bid Price as the numerator and \$0.0505 as the denominator. Until these shares are released from escrow, the Company accounts for the value attributable to such shares as restricted investment in marketable securities and is presented as an asset on the accompanying balance sheet. At June 30, 2006, restricted investment in marketable securities amounted to \$11,642.

Inventories

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

Stock-based compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment ("SFAS No. 123R"). SFAS No. 123R establishes the financial accounting and reporting standards for stock-based compensation plans. As required by SFAS No. 123R, the Company

recognized the cost resulting from all stock-based payment transactions including shares issued under its stock option plans in the financial statements.

Prior to January 1, 2006, the Company accounted for stock-based employee compensation plans (including shares issued under its stock option plans) in accordance with APB Opinion No. 25 and followed the pro forma net income, pro forma income per share, and stock-based compensation plan disclosure requirements set forth in the Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"). The Company did not issue any stock options during the six months ended June 30, 2006.

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DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

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

Loss per common share

In accordance with SFAS No. 128 "Earnings Per Share," Basic earnings per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net loss adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. In the 2005 period and for the six month ended June 30, 2006, diluted loss per common share is not presented because it is anti-dilutive. The following table presents a reconciliation of basic and diluted earnings per share:

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	For the three Months Ended		For the six months		
	June 30,		Ended June 30,		
	2006	2005	2006	2005	
Net income (loss)	\$ 189,968	\$(1,803,373)	\$ (2,355,549)	\$(2,451,240)	
Weighted average shares outstanding - basic		297,826,757	288,474,376	294,963,404	281,564,388
Income (loss) per share - basic	\$0.00	\$(0.01)	\$(0.01)	\$(0.01)	
Net income (loss)	189,968	(1,803,373)	(2,355,849)	(2,451,240)	
Impact of assumed conversions					
Derivative (income) expense	(631,490)	-	1,322,182	-	
Net loss - diluted	\$(441,522)	\$(1,803,373)	\$ (1,033,667)	\$(2,451,240)	

Weighted average shares outstanding - basic	297,826,757	288,474,376	294,963,404	281,564,388
Effect of dilutive securities				
Convertible debentures	541,218,304	-	-	-
Unexercised warrants	2,000,000	-	-	-
	-----	-----	-----	-----
Weighted average shares outstanding- diluted	841,045,061	288,474,376	294,963,404	281,564,388
	=====	=====	=====	=====
Income (loss) per share - diluted	\$0.00	\$(0.01)	\$0.00	\$(0.01)
	=====	=====	=====	=====

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Recent accounting pronouncements

In September 2005, the FASB ratified the Emerging Issues Task Force's ("EITF") Issue No. 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues," which addresses whether a modification to a conversion option that changes its fair value affects the recognition of interest expense for the associated debt instrument after the modification and whether a borrower should recognize a beneficial conversion feature, not a debt extinguishment if a debt modification increases the intrinsic value of the debt (for example, the modification reduces the conversion price of the debt). This issue is effective for future modifications of debt instruments beginning in the first interim or annual reporting period beginning after December 15, 2005. The adoption of this pronouncement did not have any effect on the Company's financial position or results of operations.

In September 2005, the FASB also ratified the EITF's Issue No. 05-8, "Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature," which discusses whether the issuance of convertible debt with a beneficial conversion feature results in a basis difference arising from the intrinsic value of the beneficial conversion feature on the commitment date (which is recorded in the shareholder's equity for book purposes, but as a liability for income tax purposes), and, if so, whether that basis difference is a temporary difference under FASB Statement No. 109, "Accounting for Income Taxes." This Issue should be applied by retrospective application pursuant to Statement 154 to all instruments with a beneficial conversion feature accounted for under Issue 00-27 included in financial statements for reporting periods beginning after December 15, 2005. The adoption of this pronouncement did not have any effect on the Company's financial position or results of operations.

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DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

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

Recent accounting pronouncements (continued)

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies 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 - LOANS PAYABLE

As of June 30, 2006, the Company had loans with various entities and an individual. Through December 31, 2005, the loans accrued interest at 3.50% per annum. The loans were payable on December 31, 2005 and the Company is currently in default. During the period of default under the terms of the notes, the interest rate on the entire outstanding debt shall be at the rate of 12% per annum. At June 30, 2006, loans payable to these entities and individual amounted to \$222,100. As of June 30, 2006, accrued interest payable on the loans amounted to \$33,001 and is included in accrued expenses on the accompanying balance sheet.

NOTE 3 - CONVERTIBLE DEBENTURES PAYABLE

On April 1, 2005, the Company entered into a Securities Purchase Agreement with Highgate House Funds, Ltd., an accredited investor, for the issuance and sale of \$1,000,000 of 7% secured convertible debentures in a private transaction exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 4(2) and Regulation D of that act. On April 1, 2005, the Company issued Highgate House Funds, Ltd. a \$500,000 principal amount 7% secured convertible debenture (the "First Debenture") which was due on April 1, 2006, and in May 2005, the Company issued Highgate House Funds, Ltd. a second \$500,000 principal amount 7% secured convertible debenture (the "Second Debenture") which was due on May 31, 2006. Other than the different due dates, all other terms and conditions of the debentures are identical. The net proceeds from the sale of the debentures were used by the Company for general corporate and working capital purposes.

Interest was payable on the secured convertible debentures, at maturity or conversion, at the rate of 7% per year, compounded monthly. The First and Second Debentures were convertible at the option of holder into shares of the Company's common stock at an initial conversion price of \$0.024 per share, subject to adjustment in the event the Company issues or sells shares of its common stock or securities exercisable or convertible into shares of its common stock at a price less than the then effective conversion price, other than in certain circumstances as described in the Securities Purchase Agreement. However, the conversion price cannot be lower than \$.001 per share.

At the time of signing the Securities Purchase Agreement, the Company also issued Highgate House Funds, Ltd. three-year common stock purchase warrants to purchase 4,000,000 shares of the Company's common stock at an exercise price of \$0.001 per share. The exercise price of the warrants is subject to adjustment in the event the Company issues or sells shares of its common stock or securities exercisable or convertible into shares of its common stock at a price less than the then effective exercise price, except under certain circumstances as described in the warrant. The exercise price and number of shares issuable upon the exercise of the warrants are also subject to adjustment in the event of stock splits, stock dividends or recapitalizations. These warrants were treated as a discount on the convertible debenture and on April 1, 2005 were valued at \$74,841 under SFAS No.123 using the Black-Scholes option-pricing model to be amortized over the debenture term. Additionally, the Company paid Yorkville Advisors Management LLC, the investment advisor of Highgate House Funds, Ltd., a fee of \$100,000, as well as an structuring fee of \$10,000 and a due diligence fee and other fees of \$15,000. These fees were treated as a discount on the convertible debenture and beginning on April 1, 2005 are being amortized over

the debenture term. For the six months ended June 30, 2006, the Company recorded amortization of discount on debenture payables of \$ 58,294.

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DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - CONVERTIBLE DEBENTURES PAYABLE (continued)

On March 23, 2006, the Company entered into a Securities Purchase Agreement (the "Agreement"), with Cornell Capital Partners, LP., ("Cornell"), and Highgate House Funds, Ltd. ("Highgate") (Cornell and Highgate collectively, "Buyers"). In connection with this Agreement, Highgate surrendered the First and Second Debentures for conversion into new 10% Secured Convertible Debentures amounting to \$1,062,329 (including accrued interest of \$62,329) and Cornell purchased additional secured convertible debentures amounting to \$150,000 for the total purchase price of \$1,212,329 (the "Purchase Price"). The debentures are due on March 23, 2009. In connection with the Agreement, the Company paid Yorkville Advisors LLC a fee equal to \$15,000 and a structuring fee to Yorkville Advisors LLC of \$5,000 from the proceeds of the Closing. Accordingly, the Company received net proceeds of \$130,000. These fees were treated as a discount on the convertible debenture and beginning on April 1, 2006 are being amortized over the debenture term. For the six months ended June 30, 2006, the Company recorded amortization of discount on debenture payables of \$ 109,447.

Each of the 10% Secured Convertible Debentures provides for interest in the amount of 10% per annum and are convertible at the lesser of \$0.015 or 85% of the lowest closing bid price of the Company's common stock during the 10 trading days immediately preceding the conversion date.

The Company at its option shall have the right, with three (3) business days advance written notice (the "Redemption Notice"), to redeem a portion or all amounts outstanding under the 10% Secured Debenture prior to the Maturity Date provided that the Closing Bid Price of the Company's common stock, as reported by Bloomberg, LP, is less than the Fixed Conversion Price at the time of the Redemption Notice. The Company shall pay an amount equal to the principal amount being redeemed plus a redemption premium ("Redemption Premium") equal to twenty percent (20%) of the principal amount being redeemed, and accrued interest, (collectively referred to as the "Redemption Amount").

In connection with this Agreement, the Company issued to the Buyer warrants to purchase 409,000,000 shares of the Company's Common Stock (the "Warrants") in such amounts as set forth on below.

Number of warrants	Exercise price per share
100,000,000	\$.0100
165,000,000	\$.0035
144,000,000	\$.0040

409,000,000

=====

In order to secure its obligations under the secured convertible debenture and related documents, the Company has granted the debenture holders a security interest in all of its assets and property, and the Company has pledged 250,000,000 shares of its common stock. A certificate representing the pledged shares together with a stock power has been deposited in escrow with a third party. If the Company should default under the Securities Purchase Agreement, 10% convertible secured debentures or the related transactional documents, Highgate House Funds, Ltd. is entitled to voting, dividend and other rights over these pledged shares, and may take possession of and sell the pledged shares to satisfy the Company's obligations to the debenture holders. A foreclosure by Highgate House Funds, Ltd. of the pledged shares could result in a change of control of the Company. Upon the satisfaction or conversion of the secured convertible debentures, the pledged shares will be returned to the Company for cancellation and return to its treasury.

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DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - CONVERTIBLE DEBENTURES PAYABLE (continued)

Under the terms of the Securities Purchase Agreement, secured convertible debentures and warrants, no conversion of the debentures or exercise of the warrants may occur if a conversion or exercise would result in Highgate House Funds, Ltd. and any of its affiliates beneficially owning more than 4.99% of the Company's outstanding common shares following such conversion or exercise. Highgate House Funds, Ltd. may waive this provision upon 65 days prior notice to the Company.

The Company has agreed to file a registration statement covering the shares of common stock underlying the securities issued no later than April 25, 2006, and will use its best efforts to have the registration statement declared effective with the Securities and Exchange Commission within 90 days of the filing date. If the Company does not meet the scheduled filing and effectiveness dates, it has agreed to pay liquidated damages of 2% per 30-day period following the scheduled filing and effective date for the registration statement which, at the option of the investors, may either be in cash or common stock of the Company. The Company's previous registration statement was withdrawn earlier in March 2006. The Company did not file the registration statement and liquidated damages began to accrue on such date. Accordingly, in connection with registration rights, the Company accrued estimated registration rights penalties of \$468,480, which are included on the accompanying consolidated balance sheet.

The Company determined that the conversion feature of the convertible debentures represents an embedded derivative since the debentures are convertible into a variable number of shares upon conversion. Accordingly, the convertible

debentures are not considered to be conventional debt under EITF 00-19 and the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability.

The Company believes that the aforementioned embedded derivatives and freestanding warrants meet the criteria of SFAS 133 and EITF 00-19, and should be accounted for as separate derivatives with a corresponding value recorded as liability. Accordingly, the fair value of these derivative instruments has been recorded as a liability on the consolidated balance sheet with the corresponding amount recorded as a discount to the debentures. Such discount will be accreted from the date of issuance to the maturity date of the debentures. The change in the fair value of the liability for derivative contracts will be credited to other income/ (expense) in the consolidated statements of operations. The \$1,212,329 face amount of the debentures were stripped of their conversion feature due to the accounting for the conversion feature as a derivative, which was recorded using the residual proceeds method, whereby any remaining proceeds after allocating the proceeds to the warrants and conversion option would be attributed to the debt. The beneficial conversion feature (an embedded derivative) included in this debenture resulted in an initial debt discount of \$1,192,329 and an initial loss on the valuation of derivative liabilities of \$262,219. At June 30, 2006, the Company revalued this derivative liability. For the six months ended June 30, 2006, after adjustment, the Company recorded a loss on valuation of derivative liability of \$217,495. As a result of the Company's meeting the requirements of SFAS 133, all of the Company's previously issued and outstanding instruments, which included 4,000,000 warrants exercisable at \$.001 per share, have been classified as derivative liabilities. The aggregate of 413,000,000 warrants, which expire five years after issuance, were assigned an initial value of \$1,597,189 which was recorded as a loss from derivatives on the accompanying statement of operations. At June 30, 2006, the Company revalued this warrants liability. For the six months ended June 30, 2006, after adjustment, the Company recorded a loss on valuation of this derivative liability of \$1,104,687, estimated using the Black-Scholes valuation model.

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DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - CONVERTIBLE DEBENTURES PAYABLE (continued)

The amount allocated as a discount on the debenture for the value of the warrants and conversion option will be amortized to interest expense, using the effective interest method, over the term of the debenture. At the date of inception and at the valuation date of June 30, 2006, the following assumptions were applied to all convertible debt and warrants:

	At Inception	At June 30, 2006
	-----	-----
Market Price:	\$0.039	\$0.0027
Exercise prices	\$0.001 to \$0.01	\$0.001 to \$0.01

Term	2 - 5 years	1.75 - 4.75 years
Volatility:	237%	246%
Risk-free interest rate:	4.82%	4.82%

The convertible debenture liability is as follows at June 30, 2006:

Convertible debentures payable	\$ 1,212,329
Less: unamortized discount on debentures	(1,102,882)

Convertible debentures, net	\$ 109,447
	=====

NOTE 4 - STANDBY EQUITY DISTRIBUTION AGREEMENT

On April 1, 2005, the Company entered into a Standby Equity Distribution Agreement with Cornell Capital Partners, L.P. Under the Standby Equity Distribution Agreement ("SEDA"), the Company could have required Cornell Capital Partners, L.P., an affiliate of Highgate House Funds, Ltd., to purchase up to \$10,000,000 of its common stock over a two-year period following May 31, 2005, subject to an effective registration statement covering the underlying shares of common stock. The SEDA established what is sometimes termed an equity line of credit or an equity draw-down facility. As of December 31, 2005, the Company's previously filed registration statement had not yet declared effective and in March 2006, the registration statement was withdrawn. In March 2006, the SEDA was terminated.

NOTE 5 - LOAN PAYABLE - RELATED PARTY

As of June 30, 2006, the Company has outstanding loans payable due to an officer/director/principal stockholder of the Company of \$242,997. This amount is non-interest bearing and is due upon demand.

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DIRECTVIEW, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 6 - SHAREHOLDERS' DEFICIT

Common Stock

On February 2, 2006, the Company issued 2,500,000 shares of common stock to an employee of the Company for services rendered. The Company valued these common shares at the fair market value on the dates of grant or \$0.0035 based on the quoted trading price and recorded stock-based compensation expense of \$8,750.

On February 24, 2006, the Company issued 5,000,000 shares of common stock to the Company's Chief Executive Officer and an employee of the Company for services

rendered. The Company valued these common shares at the fair market value on the dates of grant or \$0.0038 based on the quoted trading price and recorded stock-based compensation expense of \$19,000.

On April 19, 2006, the Company issued 1,000,000 shares of common stock for legal services rendered. The Company valued these common shares at the fair market value on the dates of grant or \$0.0035 based on the quoted trading price and recorded stock-based compensation expense of \$3,500.

On June 1, 2006, the Company issued 500,000 shares of common stock to an employee of the Company and 2,500,000 shares of common stock to an employee who is the spouse of the Company's Chief Financial Officer/ Director for services rendered. The Company valued these common shares at the fair market value on the dates of grant or \$0.0025 based on the quoted trading price and recorded stock-based compensation expense of \$7,500.

Common Stock Warrants

In connection with the Securities Purchase Agreement, the Company also to debenture holders issued Highgate House Funds, Ltd. three-year common stock purchase warrants to purchase 409,000,000 shares of the Company's common stock at an exercise prices ranging from \$.01 to \$.004 per share (see note 3).

Stock warrant activity for the six months ended June 30, 2006 is summarized as follows:

	Number of shares	Weighted average exercise price	
	-----	-----	
Outstanding at December 31, 2005	4,000,000	\$.001	
Granted	409,000,000	.005	
Exercised	-	-	
	-----	-----	
Outstanding at June 30, 2006	413,000,000	\$ 0.005	
	=====	=====	

The following table summarizes the Company's stock warrants outstanding at June 30, 2006:

Warrants outstanding and exercisable			
Range of exercise price	Weighted average remaining Number	Weighted average life	Weighted average exercise price
	-----	-----	
\$ 0.001	4,000,000	1.75	\$ 0.001
\$ 0.010	100,000,000	4.75	\$ 0.010
\$ 0.0035	165,000,000	4.75	\$ 0.0035
\$ 0.004	144,000,000	4.75	\$ 0.004

DIRECTVIEW, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7 - GOING CONCERN CONSIDERATIONS

As reflected in the accompanying consolidated financial statements, the Company had an accumulated deficit of \$13,432,875 and a working capital deficit of \$4,022,259 at June 30, 2006, net losses in six months ended June 30, 2006 of \$2,355,549 and cash used in operations during the six months ended June 30, 2006 of \$174,092. While the Company is attempting to increase sales, the growth has not been significant enough to support the Company's daily operations. In order to raise funds, on March 23, 2006, the Company entered into a new Securities Purchase Agreement for the issuance and sale of \$150,000 of 10% secured convertible debentures (See Note 3). Management may attempt to raise additional funds by way of a public or private offering. While the Company believes in the viability of its strategy to improve 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. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan to generate increased revenues and to raise additional funds. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Management believes that the actions presently being taken to further implement its business plan and generate additional revenues and to raise additional funds provide the opportunity for the Company to continue as a going concern.

NOTE 8 - SUBSEQUENT EVENTS

On July 12, 2006, the Company issued 1,000,000 shares of common stock to a consultant for services rendered. The Company valued these common shares at the fair market value on the dates of grant or \$0.0023 based on the quoted trading price and recorded professional fees of \$2,300.

On July 12, 2006, the Company cancelled 500,000 shares of common stock issued to the former Chief Executive Officer of the Company. The cancelled shares were transferred from common stock to additional paid in capital at par value.

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

Overview

We are a full-service provider of teleconferencing products and

services to businesses and organizations. Our 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 professional service firms, investment banks, high tech companies, law firms, investor relations firms, and other domestic and multinational companies. 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 recognize revenue on the sale of conferencing services upon the completion of the service. We recognize revenue for the sale of video equipment upon delivery and installation of the equipment, and revenue from periodic maintenance agreements is generally recognized over the period of the agreement.

Results of Operations

Six months ended June 30, 2006 compared to six months ended June 30, 2005

Net sales for six months ended June 30, 2006 were \$312,472 as compared to net sales of \$322,931 for six months ended June 30, 2005, a decrease of \$10,459 or 3.2%. For the six months ended June 30, 2006, sales of teleconferencing equipment and accessories accounted for approximately 89% of our revenues as compared to 88% for the six months ended June 30, 2005 offset by a decrease in maintenance and service income of approximately 12% of our revenues for the six months ended June 30, 2006 as compared to 14% for the comparable six month period in fiscal 2005. The overall decrease was attributable to the fact that during the six months ended June 30, 2006, we had an average of 2.5 sales persons as compared to 5 sales persons during the six months ended June 30, 2005. During the six months ended June 30, 2006, four customers accounted approximately 46% of our total revenue. We continue to experience 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, we do not have sufficient working capital to implement this strategy.

Our cost of sales was approximately 59% of net sales for the six months ended June 30, 2006 as compared to approximately 81.5% for the comparable six month period in fiscal 2005. During six month period ended June 30, 2006, our cost of sales as a percentage of net sales decreased due to increase selling prices to our four customers that accounted for 46% of our total revenues.

Our gross profit was approximately 41% of net sales for the six months ended June 30, 2006 as compared to approximately 18.5% for the comparable six month period in fiscal 2005. The increase in gross profit was primarily attributable to increase selling prices to our four customers discussed above. Although we recognized higher than average gross profits during the six month ended June 30, 2006, there could be no assurances that we will continue to recognize similar gross profit margin in the future.

Total operating expenses for six months ended June 30, 2006 were \$469,756, a decrease of \$560,580, or approximately 54%, from total operating expenses in six months ended June 30, 2005 of \$1,030,336. This decrease is primarily attributable to:

* a decrease of \$5,179, or approximately 97%, in depreciation and amortization resulting from the amortization in the 2005 period of an intangible

asset, a customer list, acquired in the acquisition of Meeting Technologies. This intangible was written off in 2005;

* a decrease of \$15,000, or 78.95%, in bad debt expenses due to the decrease in write-off of our accounts receivable during the six months ended June 30, 2006;

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

* a decrease of \$3,303, or approximately 6%, in professional fees primarily associated fees incurred in the 2005 period in connection with a Standby Equity Distribution Agreement and debenture entered into in April 2005 described later in this discussion as well as fees associated the filing of a registration statement on Form SB-2 which was subsequently withdrawn;

* a decrease of \$6,848, or approximately 18%, in rent expense reflecting the consolidation of all of our operations into our Boca Raton, Florida office and the closing of our Texas office in the 2005 period.

* a decrease of \$231,577, or approximately 56%, in compensation expense which is primarily the result of a decrease in sales and administrative staff and a decrease in commission expenses during the six months ended June 30, 2006 as compared to the 2005 period. During the six months ended June 30, 2006, we had an average of 6 employees compared to 10 during the six months ended June 30, 2005. Additionally, we paid compensation of \$52,537 to our former CEO during the six months ended June 30, 2005 as compared to \$0 for the six months ended June 30, 2006 as a result of his separation in June 2005. During the six months ended June 30, 2006, we incurred stock-based compensation expenses related to the issuance of common stock for services rendered of \$38,750 as compared to \$110,900 for the six months ended June 30, 2005.

* a decrease of \$221,959, or 100%, in stock-based consulting expense to \$0 for the six months ended June 30, 2006 as compared to \$221,959 for the six months ended June 30, 2005. This decrease is a result of a decrease in stock issuances to consultants and amortization of deferred compensation. We expect to incur additional stock-based consulting expense in the future and

* a decrease of \$76,714, or approximately 2832%, in other selling, general and administrative expenses as summarized below:

<table>

	Six months ended June 30,	
	2006	2005
	-----	-----
<S>	<C>	<C>
Advertising and promotion	\$ 8,250	\$ 17,901

Auto expense	20,648	17,752	
Health insurance	14,597	16,296	
Equipment expense	59,950	1,945	
Payroll taxes	10,547	17,005	
Settlement expense	-	80,705	
Telephone and communications	16,544	28,812	
Travel and entertainment	20,384	31,487	
Other	48,810	64,541	
	-----	-----	
	\$ 199,730	\$ 276,444	
	=====	=====	

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

The changes in these expenses from the six months ended June 30, 2005 as compared to the six months ended June 30, 2006 included the following:

- 1) We decrease our advertising expense by \$9,651 or 54% due to lack of working capital which has forced us to curtail our advertising efforts.
- 2) Auto expenses increased by \$2,896 due to increased car allowances to sales staff and increased gas costs.
- 3) We incurred decreased health insurance costs due to a decrease in the number of employees participating in the plan.
- 4) During the six months ended June 30, 2006, we recorded equipment expense of \$59,950 related to the purchase of 10 plasma televisions which we returned to the vendor and we did not receive a credit.
- 5) We had a \$12,268 decrease in telephone and communication costs due to a decrease in telemarketing activities as a result of reduced marketing efforts.
- 6) Travel and entertainment expenses decreased by \$11,103 due to decreased sales-related travel.
- 7) Other selling, general and administrative expenses, which includes postage, general insurance, and office supplies and expenses decreased by \$19,731 or 30.6% due to cost cutting measures.

We reported a loss from operations of \$342,111 for six months ended June 30, 2006 as compared to a loss from operations of \$970,467 for six months ended June 30, 2005, a decrease of \$628,356 or 65%.

Total other expense increased to \$2,013,438 for six months ended June 30, 2006 as compared to \$1,480,773 for the six months ended June 30, 2005. Included in this net increase of \$532,665 is:

- o \$9,425 and \$18,863 of other income for the six months ended June 30, 2006 and 2005, respectively, was attributable to the reduction of accounts payable over four years old that management has deemed forgiven;
- o an increase of \$183,231, or approximately 375%, in interest expense for the six months ended June 30, 2006 as compared to six months ended June 30, 2005 which reflects an increase in our borrowings under debenture agreements as well as the amortization of a discount on convertible debentures of \$167,741;
- o an increase of \$1,322,182 in derivative liability expense due to the valuation of derivative liabilities associated with our warrants and convertible debentures;
- o a decrease of \$1,283,065 in loss from impairment of marketable securities due to a other-than-temporary decline;
- o an increase in registration rights penalties of \$468,480 related to our requirement to file a registration statement and have it effective prior to specific dates for which we began to incur penalties since we did not file our registration statement prior to April 25, 2006, and we will continue to incur penalties in the future until such time as we satisfy our contractual obligations related to these registration rights. As of the date of this quarterly report we have not filed the subject registration statement with the Securities and Exchange Commission;
- o a decrease in interest income of \$188 which was attributable to the reduction of our cash balances;
- o a decrease of \$167,789 on the loss from sale of marketable securities which relates to the decline in the market value of the Langley Park ordinary shares as described below.

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

As set forth above, for the six months ended June 30, 2006 we recorded a non-cash expense of \$1,322,182 related to the fair value of derivative liabilities associated with our convertible debentures and warrants. The fair value of the derivative liabilities is determined at the end of each of our fiscal quarters and has the potential to significantly impact our results of

operations from period to period. Based upon the trading price of our common stock, trading volatility, and the risk-free interest rate, we could record additional expense related to the fair value of the derivative liabilities in future periods if our stock price declines or, if our stock price increases, we could record income. Because we cannot predict the trading price of our common stock in future periods, we cannot predict the extent of any future expense or income associated with the fair value of derivative liabilities. However, as the income (expense) associated with the fair value of the derivative liabilities is non-cash, while it has the potential to significantly impact our net income, it does not effect our income from operations and, if we should record income from the change in the fair value of the derivative liabilities in future periods, this income does benefit our cash position or alleviate our need to raise additional working capital.

We reported a net loss of \$2,355,549 for the six months ended June 30, 2006 as compared to a net loss of \$2,451,240 for the six months ended June 30, 2005. For the six months ended June 30, 2006, we reported an other comprehensive gain of \$0 as compared to \$1,282,950 for the six months ended June 30, 2005 which represents a reversal of unrealized loss on marketable securities resulting from the Langley Park transaction described below. As a result of the foregoing, our comprehensive loss for the six months ended June 30, 2006 was \$2,355,549 as compared to a comprehensive loss of \$1,168,290 for the six months ended June 30, 2005.

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 June 30, 2006, we had cash on hand of \$2,336 and a working capital deficit of \$4,022,259.

Net cash flows used in operating activities for the six months ended June 30, 2006 was \$174,092 as compared to \$503,424 for the six months ended June 30, 2005. This change is primarily attributable to:

- o an decrease in our net loss of \$95,691,
- o a decrease of \$294,109 in non-cash stock based compensation, which includes \$72,150 representing the decrease in value of shares issued to employee and an officer as compensation and \$221,959 representing the decrease in value of shares issued to third-party consultants as compensation for services and amortization of deferred compensation,
- o a decrease of \$167,789 in loss from sale of marketable securities representing the decline in the market price of the Langley Park ordinary shares,
- o a decrease in other income of \$9,438 attributable to reduction of accounts payable deemed forgiven
- o an increase of \$1,322,182 related to derivative liability expense,
- o a decrease of \$1,283,065 in loss from impairment of marketable securities due to a other-than-temporary decline;
- o an increase of \$468,480 in registration right penalty related to convertible debentures issued in March 2006

- o an increase in amortization of discount on convertible debentures of \$126,114,
- o a decrease of \$15,000 in bad debts
- o a decrease of \$89,093 in accounts receivable due to a decrease in sales,
- o an increase of \$4,375 in inventory
- o a decrease of \$2,975 in change in other current and non-current assets,
- o an increase of \$44,440 in accounts payable due to lack of payment of vendor invoices,
- o an increase in customer deposits of \$12,577,
- o a decrease in deferred revenues of \$1,014, and,
- o an increase in accrued expenses of \$107,059.

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

We reported net cash flows provided by investing activities of \$13,235 for the six months ended June 30, 2006 as compared to net cash provided by investing activities of \$30,834 for the six months ended June 30, 2005, a decrease of \$17,599. This decrease is attributable to a decrease in proceeds from the sale of Langley Park ordinary shares.

Net cash flows provided by financing activities was \$121,107 for the six months ended June 30, 2006 as compared to net cash used in financing activities of \$744,889 for the six months ended June 30, 2005, a decrease of \$623,782. This change from the six months ended June 30, 2005 to the six months ended June 30, 2006 is primarily attributable to an increase of \$130,000 in proceeds from debentures payable, and offset by decrease in proceeds from loans payable of \$875,000, a decrease in repayments of loans payable of \$93,000 and a decrease in payments of advances from shareholders of \$28,218.

We reported a net decrease in cash for the six months ended June 30, 2006 of \$39,750 as compared to a net increase in cash of \$272,299 for the six months ended June 30, 2005. While we do not have any commitments for capital expenditures during the balance of fiscal 2006, we have \$222,100 of unsecured loans which became due in December 2005 which are unpaid as of the date of this report. We do not have sufficient funds available to satisfy these obligations. As of the date on this quarterly report, no default has been declared; however, if the note holders should declare a default such default would trigger a default in our outstanding 10% secured convertible debentures.

We need to raise additional working capital to sustain our operations

and satisfy our obligations as they become due. Our outstanding 10% secured convertible debentures contain covenants that restrict us from raising capital from the sale of stock or other securities convertible into stock at a price less than the market price of our common stock on the date of issuance. Given the relative size of our company and history of losses, the type of capital raising transactions which are generally available to companies such as ours are usually at a discount to market. The existence of these covenants may severely limit our ability to raise capital from the sale of stock or convertible securities because any potential purchasers of our stock or convertible securities may want to pay a discount to the market price of our stock.

In addition, we have granted the holders of our \$1,210,986 principal amount 10% secured convertible debentures which are due in March 2009 blanket security interests in all of our assets and properties and pledged of 250,000,000 shares of our common stock as additional collateral for the debentures. If we should default under the repayment provisions of the debentures, the holders could seek to foreclose on our assets and the shares of pledged stock in an effort to seek repayment under the obligations. In the event of a default, the holder would be entitled to vote these pledged shares, which would then represent approximately 46% of our issued and outstanding common stock and approximately 30% of our voting securities, assuming no additional issuance of shares of our common stock, and the holders, Highgate House Funds, Ltd. and Cornell Capital Partners, Ltd. could be in a position to control our company. In addition, if the holders were successful in foreclosing on our assets in the event of a default under the debentures, we would be deprived of the use of those assets and unable to conduct our business as it is presently conducted. In such an event, our ability to generate revenues and fund our ongoing operations would be materially adversely affected and we would likely be forced to cease operations.

We currently do not have sufficient working capital to sustain our core operations. We have begun conversations with funding sources to obtain additional financing, however, there are no assurances that these discussions will lead to any additional financing, in which event we will be unable to pay these obligations as they become due. If we are not able to raise working capital as needed, we may be required to cease operations in which case our stockholders could lose their entire investment in our company.

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

Going Concern

The report from of our independent registered public accounting firm on our audited financial statements at December 31, 2005 contains an explanatory paragraph regarding doubt as to our ability to continue as a going concern. While a significant portion of our net loss for the six months ended June 30, 2006 is non-cash (92%), we do not presently generate sufficient revenue to fund our operations. Our limited financial resources have prevented us from aggressively advertising our product to achieve consumer recognition. In order

to sustain our current operations and satisfy our current obligations, as well as to expand sales of our products and services, we will require funds for working capital. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Management believes that the actions presently being taken to further implement its business plan and generate additional revenues provide the opportunity for the Company to continue as a going concern.

Critical Accounting Policies

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 DirectView, Inc. includes revenue recognition, accounting for stock based compensation and valuation of derivative liabilities.

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 collectibility 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 as prescribed under Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 states that 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 the various revenues streams of the Company:

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

Revenue for video 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 collectibility of the related receivable is probable.

Accounting for Stock Based Compensation - Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment ("SFAS No. 123R"). SFAS No. 123R establishes the financial accounting and reporting standards for stock-based compensation plans. As required by SFAS No. 123R, the Company recognized the cost resulting from all stock-based payment transactions including shares issued under its stock option plans in the financial statements.

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

Recent Accounting Pronouncements

In September 2005, the FASB ratified the Emerging Issues Task Force's ("EITF") Issue No. 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues," which addresses whether a modification to a conversion option that changes its fair value affects the recognition of interest expense for the associated debt instrument after the modification and whether a borrower should recognize a beneficial conversion feature, not a debt extinguishment if a debt modification increases the intrinsic value of the debt (for example, the modification reduces the conversion price of the debt). This issue is effective for future modifications of debt instruments beginning in the first interim or annual reporting period beginning after December 15, 2005. The adoption of this pronouncement did not have any effect on the Company's financial position or results of operations.

In September 2005, the FASB also ratified the EITF's Issue No. 05-8, "Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature," which discusses whether the issuance of convertible debt with a beneficial conversion feature results in a basis difference arising from the intrinsic value of the beneficial conversion feature on the commitment date (which is recorded in the shareholder's equity for book purposes, but as a liability for income tax purposes), and, if so, whether that basis difference is a temporary difference under FASB Statement No. 109, "Accounting for Income Taxes." This Issue should be applied by retrospective application pursuant to Statement 154 to all instruments with a beneficial conversion feature accounted for under Issue 00-27 included in financial statements for reporting periods beginning after December 15, 2005. The adoption of this pronouncement did not have any effect on the Company's financial position or results of operations.

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

ITEM 3. CONTROLS AND PROCEDURES

Our President and acting Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, the Company's President and acting Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed in this report has been recorded, processed, summarized and reported as of the end of the period covered by this report.

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ITEM 3. CONTROLS AND PROCEDURES (continued)

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the Company's Chief Executive Officer and acting Chief Financial Officer, to allow timely decisions regarding required disclosure. The design of any system of controls, however, is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless how remote. It should be noted that neither our Chief Executive Officer, acting Chief Financial Officer nor our accounting staff possess the requisite experience and knowledge in the proper application of generally accepted accounting principles (GAAP) and we do not have sufficient resources to expand our accounting staff with properly qualified and experienced personnel. Until such time as we have hired the additional necessary personnel it is possible that we will have one or more material weaknesses in our internal controls in future periods.

There have been no changes in our internal controls or in other factors, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None.

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

On June 1, 2006 we issued 500,000 shares of our common stock to Mr. Jeffrey Robbins, an executive officer and director of our company, as additional compensation for services rendered to us which were valued at \$1,250. The recipient was an accredited investor. The issuance was exempt from registration under the Securities Act of 1933 in reliance on an exemption provided by Section 4(2) of that act.

On June 1, 2006 we also issued 2,500,000 shares valued at \$6,250 to Mr. Roger Ralston as additional compensation. Mr. Ralston is an accredited investor and the issuance of the shares to him was exempt from registration under the Securities Act of 1933 in reliance on an exemption provided by Section 4(2) of that act. At the time of issuance Mr. Ralston, the spouse of Mrs. Michelle Ralston, our acting Chief Financial Officer and member of our board of

directors, was an employee of our company. Effective August 16, 2006 he was named Chief Executive Officer.

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Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Submissions of Matters to a Vote of Security Holders

None

Item 5 - Other Information

Effective August 16, 2006 Mr. Roger Ralston was appointed Chief Executive Officer of our company and elected as a member of our board of directors. Mr. Ralston, 37, has served as our General Manager since 2000 and from May 1996 until May 1999 he was president of Ralston Communications, Inc. Prior to founding Ralston Communications, Inc. Mr. Ralston served as General Sales Manager and Director of Sales for MPC Business Communications, a provider of telecommunications products and services. In 2000 Mr. Ralston pled guilty to conspiracy to commit bribery and bribery arising out of referral payments demanded by two public employees as consideration for business referrals. Mr. Ralston is the spouse of Michelle Ralston, a member of our board of directors and our acting Chief Financial Officer.

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 acting Chief Financial Officer
- 32.1 Section 1350 certification of Chief Executive Officer
- 32.2 Section 1350 certification of acting Chief Financial Officer

SIGNATURES

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

DirectView, Inc.

August 21, 2006 By: /s/Roger Ralston
Roger Ralston
Chief Executive Officer, principal executive officer

August 21, 2006 By: /s/ Michele Ralston
Michele Ralston, acting Chief Financial Officer

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