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

FORM 10-Q

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

For the quarterly period ended **September 30, 2011**

or

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

For the transition period from: _____________ to _____________

Commission File Number:**000-52719**

Brekford Corp.

(Exact name of registrant as specified in its charter)

Delaware	**20-4086662**
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

7020 Dorsey Road, Hanover, Maryland 21076
(Address of Principal Executive Office) (Zip Code)

(443) 557-0200
(Registrant's telephone number, including area code)
N/A
(Former name, 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 þ 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 þ 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.

Large accelerated filer	o	Accelerated filer	o	Non-accelerated filer	o	Smaller reporting company	þ

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date. The issuer had 40,642,198 shares of Common Stock, par value $0.0001 per share ("Common Stock") outstanding as of October 20, 2011.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Brekford Corp.

Condensed Consolidated Balance Sheet (Unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	$ 2,237,462	$ 1,534,317
Accounts receivable	1,890,842	1,621,764
Receivables from citations issued, net of allowance $240,529 and $12,076 at September 30, 2011 and December 31, 2010, respectively	1,514,935	276,255
Prepaid expenses	16,497	24,342
Inventory	252,910	199,332
Total current assets	5,912,647	3,656,010
Property and equipment, net	1,546,647	1,011,950
Other non-current assets	32,707	27,542
TOTAL ASSETS	$ 7,492,000	$ 4,695,502
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,100,711	$ 801,955
Accrued payroll and related expenses	3,138	48,411
Income taxes payable	68,937	68,937
Deferred revenue	261,472	56,416
Customer deposits	44,682	14,059
Obligations under capital leases – current portion	312,675	121,779
Deferred rent – current portion	38,983	35,087
Payables to agency from citations issued	1,073,108	144,912
Total current liabilities	2,903,706	1,291,556
LONG - TERM LIABILITIES		
Notes payable – stockholders	700,000	700,000
Obligations under capital lease, net of current portion	497,960	232,324
Notes payable - auto	34,340	19,298
Deferred rent, net of current portion	150,279	188,839
Total long-term liabilities	1,382,579	1,140,461
TOTAL LIABILITIES	4,286,285	2,432,017
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.0001 per share; 20,000,000 shares authorized; none issued and outstanding	—	—
Common stock, par value $0.0001 per share; 150,000,000 shares authorized; 40,642,198 and 40,580,813 shares issued and outstanding at September 30, 2011 and at December 31, 2010 respectively	4,065	4,059
Additional paid-in capital	9,856,322	9,853,059
Accumulated deficit	(6,654,672)	(7,593,633)
TOTAL STOCKHOLDERS' EQUITY	3,205,715	2,263,485
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,492,000	$ 4,695,502

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

Brekford Corp.

Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
NET SALES	$ 5,328,356	$ 2,655,118	$14,292,905	$ 9,535,141
COST OF SALES	4,061,673	2,172,493	11,226,404	8,140,161
GROSS PROFIT	1,266,683	482,625	3,066,501	1,394,980
OPERATING EXPENSES				
Salaries and related expenses	282,616	225,776	878,678	658,988
Selling, general and administrative expenses	415,616	205,547	1,154,945	579,574
TOTAL OPERATING EXPENSES	734,231	431,323	2,033,622	1,238,562
INCOME FROM OPERATIONS	532,452	51,302	1,032,879	156,418
OTHER INCOME (EXPENSE)				
Interest expense	(38,932)	(21,869)	(94,119)	(101,728)
Interest income	405	5,554	2,201	15,954
Other expense	—	—	(2,000)	—
TOTAL OTHER INCOME (EXPENSE)	(38,527)	(16,315)	(93,918)	(85,774)
NET INCOME	$ 493,925	$ 34,987	$ 938,961	$ 70,644
EARNINGS PER SHARE – BASIC AND DILUTED	$ 0.01	$ 0.00	$ 0.02	$ 0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC	40,743,771	40,080,513	40,626,229	39,951,592
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	44,812,322	40,080,513	42,532,989	39,951,592

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

Brekford Corp.

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2011	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 938,961	$ 70,644
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	212,002	74,179
Share based compensation	134,100	—
Deferred rent	(34,664)	(30,839)
Share-based legal settlement	—	45,000
Amortization of debt discount	—	36,575
Bad debt expense	96,212	—
Changes in operating assets and liabilities:		
Accounts receivable	(269,078)	(572,158)
Receivables from citations issued, net	(1,334,892)	—
Prepaid expenses and other non-current assets	7,844	249,147
Inventory	(53,578)	236,006
Other asset	(5,164)	(216,487)
Customer deposits	30,623	73,081
Accounts payable and accrued expenses	298,756	287,173
Accrued payroll and related expenses	(45,273)	25,876
Deferred revenue	205,056	(6,007)
Income tax payable	—	(11,063)
Payables to agency from citations issued	928,196	—
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,109,101	(261,127)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(725,061)	(63,454)
Restricted Cash	—	(350,000)
NET CASH USED IN INVESTING ACTIVITIES	(725,061)	(413,454)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital financing	624,000	—
Principal payments on lease obligations notes payable	(174,064)	(23,364)
Purchase of treasury stock	(130,831)	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	319,105	(23,364)
NET INCREASE (DECREASE) IN CASH	703,145	(175,691)
CASH – Beginning of period	1,534,317	1,750,362
CASH – End of period	$ 2,237,462	$ 1,574,671
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 94,119	$ 101,728
Cash paid for incomes taxes	$ 2,000	$ 11,063
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING & FINANCING ACTIVITIES		
Reversal of Unamortized Discount on Notes Payable	$ —	$ 242,055
Acquisition of property through long-term debt	$ 21,638	$ 23,956
Cancellation of treasury stock	$ 130,831	$ —

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

NOTE 1 – DESCRIPTION OF THE BUSINESS

Brekford Corp. (OTCBB; OTCQB: BFDI) is a leading homeland technology service provider of fully integrated vehicle installation services, rugged mobile information technology solutions, and automated traffic safety enforcement systems geared towards mission critical operations. Depending upon the context, the terms "BFDI," "Brekford Corp.," "Company," "we," "our," and "us," refers to Brekford Corp. Brekford is an established company which has provided services for more than a decade, to branches of the U.S. military, various federal entities and numerous security and public safety agencies throughout the United States. Brekford provides these departments and agencies with an end-to-end suite of rugged mobile information technology (IT), vehicle upfitting services, and automated traffic safety photo enforcement technology solutions.

Brekford is a one-stop shop with its unique 360° approach to vehicle upfitting installations, cutting edge rugged mobile technology, and automated traffic enforcement services for jurisdictions in the United States. We provide bumper-to-bumper vehicle modification and automated traffic enforcement products, road safety camera programs, including red light and speed photo enforcement systems, and back office processing services. The Brekford 360° approach provides our customers with a one stop engineered solution. Our commitment to top quality services, along with the core values that our employees strongly uphold: integrity, accountability, respect, excellence and teamwork, is why we believe Brekford is the premier all around vehicle upfitter and automated traffic safety technology solutions provider.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The consolidated financial statements of Brekford include accounts of the Company and its various business units. During the year ended December 31, 2010 our subsidiary, Pelican Mobile Computers, was merged into Brekford Corp.

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures required by generally accepted accounting principles ("GAAP") in the United States of America have been condensed or omitted pursuant to such rules and regulations.

It is management's opinion that the accompanying unaudited interim financial statements reflect all adjustments (which are normal and recurring) that are necessary for a fair presentation of the results for the interim periods.

This Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2010 contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 1, 2011.

The results disclosed in the Statement of Operations for the three and nine month periods ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year or any other period.

Use of Estimates

Preparation of financial statements that follow accounting principles generally accepted in the United States required management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year balance sheet and statement of cash flow to conform to the current year presentation. These reclassifications had no impact on previously reported net income or retained earnings.

Concentration of Credit Risk

The Company maintains cash accounts with major financial institutions. From time to time, amounts deposited may exceed the FDIC insured limits.

Accounts Receivable and Receivables from citations issued

Accounts receivable and receivables from citations issued are carried at estimated net realizable value. The Company has a policy of reserving for uncollectable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company calculates the allowance based on a specific analysis of past due balances. Past due status is based on how recently payments have been received. Actual collection experience has not differed significantly from the Company's estimates, due primarily to credit and collections practices and the financial strength of its customers.

Inventory

Inventory principally consists of hardware and third-party packaged software that is modified to conform to customer specifications and held temporarily until the completion of a contract. These amounts are stated at lower of first-in, first-out ("FIFO") cost or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation of furniture, vehicles, computer equipment and software and phone equipment is calculated using the straight-line method over the estimated useful lives (two to ten years), and leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the lease term (which is three to five years).

Revenue Recognition

The Company recognizes revenue when all four basic criteria are met (i) persuasive evidence of an arrangement exists, (ii) delivery or installation has been completed, (iii) the customer accepts and verifies receipt, and (iv) collectability is reasonably assured. The Company considers delivery to its customers to have occurred at the time in which products are delivered and/or installation work is completed and the customer acknowledges its acceptance of the work.

The Company provides its customers with a warranty against defects in the installation of its vehicle upfitting solutions for one year from the date of installation. Warranty claims were $20,854 for the nine months ended September 30, 2011 and insignificant in 2010. The Company also performs warranty repair services on behalf of the manufacturers of the equipment it sells. Effective January 2011, the Company offers separately priced extended warranty and product maintenance contracts to its customers on the equipment sold by the Company. Revenues from extended warranty services are apportioned over the period of the extended warranties service contracts. Revenue from extended warranties for the nine months ended September 30, 2011 amounted to
$132,658.

For automatic traffic enforcement revenue, the Company recognizes the revenue on the date that the Company mails the valid violation. The Company records revenue related to automated traffic violations for the full amount of the violation. Additionally, the amount to be paid to the respective municipality for the amount of the fine to be collected is recorded as cost of revenue.

Share-Based Compensation

The Company accounts for stock incentive plans by measurement and recognition of compensation expense for all share-based awards on estimated fair values, net of estimated and actual forfeitures, on a straight line basis over the period during which the employee is required to provide services in exchange for the award.

Income Taxes

The Company uses the liability method to account for income taxes. Income tax expense includes income taxes currently payable and deferred taxes arising from temporary differences between financial reporting and income tax bases of assets and liabilities. Deferred income taxes are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense, if any, consists of the taxes payable for the current period. Valuation allowances are established when the realization of deferred tax assets are not considered more likely than not.

In the ordinary course of business there is inherent uncertainty in quantifying income tax positions. The Company assesses income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the company records largest amount of tax benefit with greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit is recognized in the financial statements. When applicable, associated interest and penalties are recognized as a component of income tax expense. Accrued interest and penalties are included within the related tax asset or liability on the accompanying Consolidated Balance Sheets. Management has not identified any uncertain tax positions in filed income tax returns that require recognitions or disclosure in the accompanying financial statements. The Company's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

The Company continues to maintain a valuation allowance on all of the net deferred tax assets for the periods presented. Until an appropriate level of profitability is sustained, the Company expects to continue to record a full valuation allowance on future tax benefits.

Earnings per Share

Basic earnings per share are computed by dividing net income available to holders of our Common Stock by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share are computed by adjusting the denominator of the basic earnings per share computation for the effect of potentially dilutive common shares outstanding during the period.

Recent Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB or other standards setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial position, results of operations and cash flows upon adoption.

NOTE 3 – LINE OF CREDIT

On November 4, 2010, the Company entered into a $500,000 revolving line of credit agreement with a bank. Under this agreement the Company may repay principal amounts and re-borrow them during the term of the agreement. Interest is payable at the rate of the BBA LIBOR Daily Floating rate plus 4%. The line of credit is collateralized by all assets of the Company and is personally guaranteed by the two principal officers of the Company. The maturity date for the line of credit agreement has been extended to November 30, 2011. The Company is the process of renewing the line of credit. As of September 30, 2011, the Company has not used this line of credit.

NOTE 4 – NOTES PAYABLE – STOCKHOLDERS

The Company financed the repurchase of shares of Common Stock and warrants from the proceeds of convertible promissory notes issued on November 9, 2009 by the Company in favor of a lender group including two directors of the Company, Messrs. C.B. Brechin and Scott Rutherford and a former director, Mr. Bruce Robinson, in the respective principal amounts of $250,000, $250,000 and $200,000 (each, a "Promissory Note, and together, the "Promissory Notes"). Each Promissory Note bears 12% interest per annum and at the time of execution was to be convertible into shares of Common Stock, at the option of each holder, at an original conversion price of $.07 per share. At the time of the execution of the Promissory Notes, the Company agreed to pay the unpaid principal balance of the Promissory Notes and all accrued and unpaid interest on the date that was the earlier of (i) two (2) years from the issue date of the notes, or (ii) ten (10) business days from the date of closing by the Company of any equity financing generating gross proceeds in the aggregate amount of not less than Five Million Dollars ($5,000,000).

On April 1, 2010, the Company and each member of the lender group executed a respective First Amendment to the Unsecured Promissory Note amending the terms of the Promissory Notes. Each Promissory Note was amended as described below to:

- Revise the conversion price in the provision that allows the holder of the respective Promissory Note to elect to convert any outstanding and unpaid principal portion of the Promissory Note, and any accrued and unpaid interest into shares of the Common Stock at a price of fourteen cents ($0.14) per share of Common Stock, and

- Amend the maturity date provided the Company agrees to pay the unpaid principal balance of the respective Promissory Note and all accrued and unpaid interest on the date that is the earlier of (i) four (4) years from the issue date of the note or (ii) ten (10) business days from the date of closing by the Company of any equity financing generating gross proceeds in the aggregate amount of not less than Five Million Dollars ($5,000,000).

NOTE 5 – LEASES

Capital Leases

The Company financed certain equipment and vehicles under separate non-cancelable equipment loan and security agreements. The agreements mature in July 2012, October 2013 and November 2014. The agreements require various monthly payments and are secured by the assets under lease. As of September 30, 2011 and December 31, 2010, capital lease assets of $932,637 and $380,879, respectively, net of accumulated amortization of $97,935 and $25,693, respectively are included in property and equipment on the consolidated balance sheets.

Operating Leases

The Company rents office space under separate non-cancelable operating leases expiring June 2013 and January 2015.

The Company records rent expense over the term of the lease on a straight-line basis. Rent expense amounted to $143,676 and $149,072 for the nine months ended September 30, 2011 and 2010, respectively.

The Company leases approximately 2,500 square feet of office space from a related party. Rent expense amounted to $32,297 and $10,200 for the nine months ended September 30, 2011 and 2010, respectively.

NOTE 6 – MAJOR CUSTOMERS AND VENDORS

Major Customers

The Company has several contracts with government agencies, of which sales to three major customers represent 47.51% of the total sales for the nine months ended September 30, 2011. Accounts receivable from four customers amounted to 51.32 % of total accounts receivable at September 30, 2011.

The Company has several contracts with government agencies, of which sales to three major customers represent 46.05% of the total sales for the nine months ended September 30, 2010. Accounts receivable due from these customers amounted to 52.88% of total accounts receivable at September 30, 2010.

Major Vendors

The Company purchased substantially all rugged IT products that it resold during the periods presented from a single distributor. Revenues from rugged IT products amounted to 37% and 64% of total revenues for the nine months ended September 30, 2011 and 2010, respectively. As of September 30, 2011 and 2010, accounts payable due to this distributor amounted to 66% and 53% of total accounts payable, respectively.

NOTE 7 - STOCKHOLDERS' EQUITY

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On September 7, 2010, the Company issued a press release announcing that its board of directors authorized a stock repurchase program permitting the Company to repurchase up to $500,000 in shares of its outstanding Common Stock over the next 12 months. The shares of Common Stock may be purchased from time to time in open market transactions or in privately negotiated transactions at the Company's discretion.

The Company repurchased the following shares of Common Stock in open market transactions during the nine months ended September 30, 2011 under this program:

	Shares in Treasury Stock	Average Price Paid per Share	Cost of Shares Purchased as Part of Publicly Announced Plans or Programs
Balance as of January 1, 2011	—	$ —	$ —
Shares Purchased January 1, 2011 to September 30, 2011	858,315	0.15	130,831
Expired/Retired Shares	(858,315)		(130,831)
Balance as of September 30, 2011	—	$	$ —

The shares repurchased and held as treasury stock, were retired as of September 30, 2011.

NOTE 8 – SHARE-BASED COMPENSATION

The Company has issued restricted stock, warrants and granted non-qualified stock options to certain employees and non-employees at the discretion of the board of directors. On April 25, 2008, the Company's stockholders approved the 2008 Stock Incentive Plan (the "Plan"). All stock options granted to the employees prior to the approval of the Plan have exercise prices that are less or equal to the fair value of the underlying stock at the date of grant and have terms of ten years. To date, there have been no stock option grants under the Plan. The Company reserves common stock for future issuance for restricted stock awards, stock options, and warrants.

Common Stock Purchase Warrants

For the three and nine months ended September 30, 2011 and 2010, there was no share-based compensation expense for common stock purchase warrants. As of September 30, 2011, there are no unvested common stock purchase warrants.

A summary of warrant activity is as follows:

	Shares Underlying Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2011	4,595,000	$ 0.31	1.17
Granted	-	-	-
Forfeited or expired	-	-	-
Exercised	-	-	-
Outstanding and exercisable at September 30, 2011	4,595,000	$ 0.31	0.42

Restricted Stock Grants

For the nine months ending September 30, 2011, Company granted an aggregate of 920,000 shares of restricted stock to the directors, non-employees and to one of its key employees in consideration of services rendered and part of employment agreement. The weighted average value of the shares amounted to $0.15 per share based upon the closing price of shares of the Company's Common Stock on the date of the grant. These shares were fully vested on the date of the grant. The Company recorded $134,100 in share-based compensation expense during period ending September 30, 2011 related to restricted stock grants.

	Restricted Stock Shares	Weighted Average Value
Nonvested restricted stock at January 1, 2011	—	$ —
Granted	920,000	0.15
Vested	(920,000)	0.15
Forfeited or expired	—	—
Nonvested restricted stock at September 30, 2011	—	$ —

NOTE 9 – INVENTORY

As of September 30, 2011 and December 31, 2010 inventory consisted of the following:

	September 30, 2011	December 31, 2010
Raw Materials	$ 252,910	$ 199,332
Work in Process	—	—
Total Inventory	$ 252,910	$ 199,332

NOTE 10 – EARNINGS PER SHARE

Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. Diluted net income per share is computed by adjusting the denominator of the basic income per share computation for the effect of all dilutive potential common shares outstanding during the period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Basic Net income per share				
Net Income	$ 493,925	$ 34,987	$ 938,961	$ 70,644
Weighted average common shares outstanding - basic	40,743,774	40,080,513	40,626,229	39,951,592
Basic earnings per share	$ 0.01	$ 0.00	$ 0.02	$ 0.00
Diluted net income per share				
Net Income	$ 493,925	$ 34,987	$ 938,961	$ 70,644
Weighted average common shares outstanding	40,743,774	40,080,513	40,626,229	39,951,592
Potential dilutive securities	4,068,548	—	1,906,761	—
Weighted average common shares outstanding – diluted	44,812,322	40,080,513	42,532,989	39,951,592
Diluted earnings per share	$ 0.01	$ 0.00	$ 0.02	$ 0.00
Shares excluded due to anti-dilutive effect	1,220,000	9,595,000	4,595,000	9,595,000

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

The following discussion and analysis presents a review of the condensed consolidated operating results of Brekford Corp. (Brekford Corp is referred to as the "Company") for the three and nine months ended September 30, 2011 and 2010, respectively, and the financial condition of the Company at September 30, 2011. The discussion and analysis should be read in conjunction with the condensed financial statements and accompanying notes included herein, as well as the Company's financial statements for the year ended December 31, 2010 filed with its Annual Report on Form 10-K on March 1, 2011.

Forward-Looking Statements

Statements included in this Quarterly Report filed on Form 10-Q ("Form 10-Q") that do not relate to present or historical conditions are "forward-looking statements." Such forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "forecasts," "intends," "possible," "estimates," "anticipates," and "plans" and similar expressions are intended to identify forward-looking statements. Our ability to predict projected results or the effect of events on our operating results is inherently uncertain. Forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those discussed in this document. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause our growth and actual performance or results to differ materially from those expressed in the statements. Important factors that could cause such differences include, but are not limited to: (i) industry competition, conditions, performance and consolidation, (ii) legislative and/or regulatory developments, (iii) the effects of adverse general economic conditions, both within the United States and globally, (iv) any adverse economic or operational repercussions from terrorist activities, war or other armed conflicts, and (v) the availability of debt and equity financing in view of the weakened national economy. Forward-looking statements speak only as of the date the statements are made. The Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If the Company updates one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking statements.

Overview

Brekford Corp. (OTCBB; OTCQB: BFDI) is a leading homeland technology service provider of fully integrated vehicle installation services, rugged mobile information technology solutions, and automated traffic safety enforcement systems geared towards mission critical operations. Brekford is an established company which has provided services, for more than a decade to branches of the U.S. military, various federal entities and numerous security and public safety agencies throughout the United States. Brekford provides these departments and agencies with an end-to-end suite of rugged mobile information technology (IT), vehicle upfitting services, and automated traffic safety photo enforcement technology solutions.

Brekford is a one-stop shop with its unique 360° approach to vehicle upfitting installations, cutting edge rugged mobile technology, and automated traffic enforcement services for jurisdictions in the United States. We provide bumper-to-bumper vehicle modification and automated traffic enforcement products, road safety camera programs, including red light and speed photo enforcement systems, and back office processing services. The Brekford 360° approach provides our customers with a one stop engineered solution. Our commitment to top quality services, along with the core values that our employees strongly uphold: integrity, accountability, respect, excellence and teamwork, is why we believe Brekford is the premier all around vehicle upfitting and automated traffic safety technology solutions provider.

Products and Services

Public safety is a major concern for most communities – especially as populations grow and many public safety budgets have been reduced. One way to help make streets safer while reducing workload is a well-run photo red light or speed enforcement program. The objective of photo enforcement is to help reduce the incidences of aggressive driving through voluntary compliance. Revenue generated from fines routinely goes directly back into supporting other public safety initiatives.

In a 1999 study using a sample of 4,526 police reports on public roads in four urban areas, the study showed that twenty-two (22%) percent of these crashes were caused by the driver running a traffic control device. (Synthesis and Evaluation of Red-Light Running Automated Enforcement Programs in the United States. FHWA-IF-00-004, Sep. 1999). The study also showed that motorists are more likely to be injured in crashes involving red light running than in other types of crashes. Forty-five percent (45%) of red light running crashes cause injuries, compared to thirty (30%) percent for other types of crashes.

Speeding and red-light running is estimated to cause more than 180,000 crashes every year, resulting in approximately 1,000 deaths and 90,000 injuries a year. Although opposition to red light cameras cite the increase in rear end collisions as cause for disapproval of cameras, a recent study conducted by the Insurance Institute for Highway Safety, (Feb. 2008) reported that red-light cameras reduce front-into-side collisions and overall injury crashes. Because the types of crashes prevented by red light cameras tend to be far more severe than rear-end crashes, research has shown there is a positive aggregate benefit.
Photo enforcement solutions can reduce collisions, injuries and deaths by providing a useful tool for municipalities and law enforcement agencies – without unduly taxing drivers who do not break the law. Today, nearly 400 communities across the United States operate red- light or speed camera enforcement programs.

Brekford's Automated Traffic Enforcement Group (ATEG) offers intersection safety (red-light), photo speed, work zone and school bus enforcement programs with a complete suite of program support solutions. Assembling a team of industry professionals with the most experience in this field we have since developed equipment and a full turn-key solution that will ensure the success of any program. Having the advantage of a team of experience, we have created and implemented some of the most cutting-edge features into our design – while constructing end-to-end systems specifically with our clients' needs in mind.

Automatic Traffic Enforcement Safety - Photo Speed & Red-light Enforcement

Automatic traffic enforcement systems are one of a wide range of measures that are effective at reducing vehicle speeds and crashes. The automated speed enforcement (ASE) system is an enforcement technique with one or more motor vehicle sensors producing recorded images of motor vehicles traveling at speeds above a defined threshold. Images captured by the ASE system are processed and reviewed in an office environment and violation notices are mailed to the registered owner of the identified vehicle. ASE is a method of traffic speed enforcement that is used to detect speeding violations and record identifying information about the vehicle. Violation evidence is processed and reviewed and violation notices are delivered to the registered owners. ASE, if used, is one technology available to law enforcement as a supplement and not a replacement for traditional enforcement operations. Evaluations of ASE, both internationally and in the United States have identified some advantages over traditional speed enforcement methods. These include:

- ***High rate of violation detection***. ASE units can detect and record multiple violations per minute. This can provide a strong deterrent effect by increasing drivers' perceived likelihood of being cited for speeding.
- ***Physical safety of ASE operators and motorists***. ASE can operate at locations where roadside traffic stops are dangerous or infeasible, and where traffic conditions are unsafe for police vehicles to enter the traffic stream and stop suspected violators. With ASE there is normally no vehicle pursuit or confrontation with motorists. ASE might also reduce the occurrence of traffic congestion due to driver distraction caused by traffic stops on the roadside.
- ***Fairness of operation***. Violations are recorded for all vehicles traveling in excess of the enforcement speed threshold.
- ***Efficient use of resources.*** *ASE can act as a "force multiplier," enhancing the influence of limited traffic enforcement staff and resources.*

Electronic Ticketing System-Slick-Ticket ™

Many of today's law enforcement agencies are struggling to balance the increasing demand from their citizens for more services with limited and/or declining budgets. One of the easiest and most cost-effective ways agencies can address this issue is by deploying an electronic ticketing, or E-Ticketing solution. Automating the ticket issuing and processing system can significantly decrease cost, increase productivity and improve officer safety.

Brekford offers a unique functionality that streamlines the data entry process even further. Many law enforcement agencies that have deployed a mobile data system run background queries from national (NCIC), state, and local databases and Brekford's solution captures the data from these mobile query files and auto-populates all of the requisite data into the electronic citation (E-Tix) form on the screen. Brekford's *Slick-Ticket* ™ product is a fully portable, over-the-seat organizer for public safety vehicles, specially designed to house a printer and scanner to allow law enforcement officers to quickly access driver's license and registration information as well as issue tickets, warnings and citations.

Rugged Information Technology Solutions –Mobile data & Digital Video

Law enforcement agency, fire department and EMS personnel have unique requirements for fleet vehicle upfitting and IT equipment to include characteristics such as ruggedness and reliability. The equipment must be able to work in extreme environments that include high levels of vibration and shock, wide temperature ranges, varying humidity, electromagnetic interference as well as voltage and current transients. Our rugged and non-rugged IT products and mobile data communication systems provide public safety workers with the unique functionalities necessary to enable effective response to emergency situations.

For more than a decade, Brekford has been a distributor for most major brands in the mobile technology arena. We handle everything from Panasonic Toughbooks® and Arbitrator® digital video systems to emergency lighting systems and wireless technology. We believe we have all of the high-end products our customers need to handle their day to day operations and protect the public they serve. Every product we sell is tested by highly trained technicians and guaranteed to work in even the most extreme conditions. We specialize in seamlessly incorporating custom built solutions within existing networks. We deliver our end-to-end solutions with service programs that work for agencies large and small, from turn-key drop shipping to municipal leases. Our commitment is to design and deliver solutions that meet or exceed industry standards for safety, ergonomics, reliability, serviceability and uniformity.

We develop integrated, interoperable, feature-rich mobile systems enabling first responders, police, fire and EMS, to obtain and exchange information in real time. The rapid dissemination of real time information is critical to determine and assure timely and precise resource allocation by public sector decision makers. As a premiere Panasonic Toughbook partner, we augment these rugged laptops by designing and manufacturing vehicle mounting systems and docking stations for in-vehicle communications equipment. From rugged laptop computers, tablets and hand-helds, GPS terminals, two-way radios, and full console systems, we provide ergonomically sound mounting products with full port replication.

Toughbook Arbitrator is a rugged revolution in law enforcement video capture. The fully integrated system offers unparalleled video capture (up to 360 degrees), storage and transfer, and is designed to work with back-end software for seamless video management, including archiving and retrieving. Brekford augments this solution with an Automatic License Plate Reader (ALPR / LPR), an image-processing technology used to identify vehicles by their license plates. License Plate Readers (LPRs) can record plates at about one per second at speeds of up to 70 MPH and they often utilize infrared cameras for clarity and to facilitate reading at any time of day or night. The data collected can either be processed in real-time, at the site of the read, or it can be transmitted to remote centers and processed at a later time.

360° Vehicle Solution- Upfitting

The Brekford 360° vehicle solution provides complete vehicle upfitting, mobile data and video solutions including municipal financing and leasing services for agencies. The 360° vehicle solutions approach provides customers with a one-stop upfitting, cutting edge technology and installation service. The 360° approach is the only stop our customers need to purchase law enforcement vehicles (GM, Ford, Dodge), have them upfitted with lights, sirens, radio communication and rugged IT technology, and then have them "ready to roll". Our mission is to provide and install equipment that ensures safe and efficient mission critical vehicles while incorporating the latest technological advances. We adhere to strict quality control procedures and provide comprehensive services. The Brekford certified installation team provides our customers the highest level of expertise and service from inception to completion, including maintenance and upgrades.

We distinguish ourselves by truly being a “one-stop shop” for vehicle upfitting, cutting edge technology, and installation services. Unlike our competitors, we provide customers with one place to purchase law enforcement vehicles that are not only upfitted with the traditional lights and sirens but also with rugged IT hardware and communications equipment. Our 360° engineered bumper-to-bumper vehicle solution, our commitment to top quality, fast, reliable service, along with our streamlined purchasing process is why we believe Brekford is the best all around vehicle and automated traffic enforcement technology solutions provider.

Results of Operations

Results of Operations for the Nine Months Ended September 30, 2011 and 2010 Compared

The following tables summarize selected items from the statement of operations for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

	Nine Months Ended September 30,		(Decrease) / Increase	
	2011	**2010**	**$**	**%**
Revenues	$14,292,905	$ 9,535,141	$ 4,757,765	49.89%
Cost of Sales	11,226,404	8,140,161	3,085,825	37.89%
Gross Profit	$ 3,066,501	$ 1,394,980	$ 1,671,940	119.87%
Gross Profit Percentage of Revenue	21%	15%		

Revenues

Revenues for the nine months ended September 30, 2011 amounted to $14,292,905 as compared to revenues of $9,535,141 for the nine months ended September 30, 2010, representing an increase of $4,757,765 or 49.89%. The change is due to an increase in sales for electronic ticketing systems and automatic traffic enforcement program, offset by a decrease in sales of Rugged IT Products.

Cost of Sales

Cost of sales for the nine months ended September 30, 2011 amounted to $11,226,404 as compared to $8,140,161 for the nine months ended September 30, 2010, an increase of $ 3,085,825 or 37.89%, primarily due to sales for electronic ticketing systems, rugged IT products and an increase in cost for the automatic traffic enforcement program.

Gross Profit

Gross profit for the nine months ended September 30, 2011 amounted to $3,066,501 as compared to $1,394,980 for the nine months ended September 30, 2010, an increase of $1,671,940 or 119.87% primarily due to an increase in the profit margins from electronic ticketing systems and automated traffic revenue.

Expenses

	Nine Months Ended September 30,		Increase / (Decrease)	
	2011	**2010**	**$**	**%**
OPERATING EXPENSES				
Salaries and related expenses	$ 878,678	$ 658,988	$ 219,689	33.28 %
Selling, general and administrative expenses	1,154,945	579,574	575,370	99.30%
Total operating expenses	2,033,622	1,238,562	795,059	64.21%

Salaries and Related Expenses

Salaries and wages for the nine months ended September 30, 2011 amount to $878,678 as compared to $658,988 for the nine months ended September 30, 2010, an increase of $219,689 or 33.28% due to additional personnel related to the expansion of the Company's product lines.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended September 30, 2011 amounted to $1,154,945 as compared to $579,574 for the nine months ended September 30, 2010, an increase of $575,370 or 99.30% due to an increase in operating cost for the expansion of the business, marketing expense, interest expense on the equipment finance and depreciation costs related to the company assets.

Net Income

Net income for the nine months ended September 30, 2011 amounted to $938,961 compared to $70,644 for the nine months ended September 30, 2010, an increase of $868,317 or 1229.14% primarily due to higher gross profit margins in the Company's suite of products.

Results of Operations for the Three Months Ended September 30, 2011 and 2010 Compared

The following table summarizes selected items from the statement of operations for the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

	Three Months Ended September 30,		Increase	
	2011	**2010**	**$**	**%**
Revenues	$ 5,328,356	$ 2,655,118	$ 2,673,238	100.68%
Cost of Sales	4,061,673	2,172,493	1,889,180	86.96%
Gross Profit	$ 1,266,683	$ 482,625	$ 784,058	162.46%
Gross Profit Percentage of Revenue	24%	18%		

Revenues

Consolidated revenues for the three months ended September 30, 2011 amounted to $5,328,356 as compared to revenues of $2,655,118 for the three months ended September 30, 2010, an increase of $2,673,238 or 100.68%. The change is due to an increase in sales for electronic ticketing systems and the automatic traffic enforcement program.

Cost of Sales

Cost of sales for the three months ended September 30, 2011 amounted to $4,061,673 as compared to $ 2,172,493 for the three months ended September 30, 2010, an increase of $1,889,180 or 86.96%, primarily due to an increase in costs for electronic ticketing systems and for the automatic traffic enforcement program.

Expenses

	Three Months Ended September 30,		Increase / (Decrease)	
	2011	2010	$	%
OPERATING EXPENSES				
Salaries and related expenses	$ 282,616	$ 225,776	$ 56,840	25.18%
Selling, general and administrative expenses	451,616	205,547	246,069	119.71 %
Total operating expenses	$ 734,231	$ 431,323	$ 302,908	70.23%

Salaries and related expenses

Salaries and wages paid in cash for the three months ended September 30, 2011 amounted to $282,616 as compared to $225,776 for the three months ended September 30, 2010, an increase of $56,840 or 25.18%. The increase is primarily due to salaries and expenses for the expansion of business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2011 amounted to $451,616 as compared to $205,547 for the three months ended September 30, 2010, an increase of $246,069 or 119.71% due to an increase in operating cost for the expansion of the business, marketing expense, interest expense on the equipment finance and depreciation costs related to the company assets.

Net Income

Net income for the three months ended September 30, 2011 amounted to $493,925 compared to $34,987 for the three months ended September 30, 2010, an increase of $458,938 or 1311.74% primarily due to higher gross profit margins in the Company's suite of products. The Company also recognized stock based compensation expense of $39,000 in the quarter ended September 30, 2011 for an aggregate of 100,000 shares of restricted Common Stock that it issued to a consultant as part of a service agreement.

Financial Condition, Liquidity and Capital Resources

At September 30, 2011, we had total current assets of $5.9 million and current liabilities of $2.9 million resulting in a working capital surplus of $3.0 million.

The Company reported net income of $938,961 for the nine months ended September 30, 2011 and its accumulated deficit reduced to $6,654,672 at September 30, 2011. Cash flows provided by operations for the nine months ended September 30, 2011 were $1,109,101.

Management believes that the Company's current level of working capital combined with funds that it expects to generate in its operations during the next twelve months and available from its $500,000 revolving line of credit facility will be sufficient to sustain the business through at least October 1, 2012. While the Company has taken certain measures to conserve its liquidity as it continues the effort to pursue its business initiatives, there can be no assurance that the Company will be successful in its efforts to expand its operations or that the expansion of its operations will improve its operating results. The Company also cannot provide any assurance that circumstances, such as the current economic crisis, or other unforeseen circumstances will not have a material adverse effect on the business that could require it to raise additional capital or take other measures to sustain operations in the event that outside sources of capital are not available. Although the Company has no specific indication that its business will be affected by the current weakened economic conditions or at a level beyond management's ability to manage this risk, this matter is an uncertainty that is under continuous review by management. The weakened economy could also have an effect on the Company's ability to obtain external funding if needed. If the Company encounters unforeseen circumstances it may need to curtail certain of its operations. Although management believes the Company has access to capital resources, it has not secured any commitments for new financing at this time nor can it provide any assurance that new capital will be available to it on acceptable terms, if at all.

Management expects to incur an increase in working capital requirements for the Company's business expansion but expects to cover the requirements of this expansion with funds it anticipates to generate in its operations and capital financing.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies and Estimates

In our Form 10-K for the fiscal year ended December 31, 2010, our most critical accounting policies and estimates upon which our fiscal status depends were identified as those relating to accounts receivables allowances, revenue recognition, warrants and other derivative financial instruments and income taxes. We reviewed our polices and determined that those policies remain our most critical accounting policies for the nine months ended September 30, 2011.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Internal Controls

As required by Rule 13a-15(b) under the Exchange Act, management carried out an evaluation, with the participation of the Company's Principal Executive Officer and Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as of September 30, 2011. Based on the evaluation as of September 30, 2011, the Principal Executive Officer and Financial Officer of the Company has concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e)and 15d-15(e) under the Exchange Act) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in rules and forms of the SEC.

Disclosure controls and procedures are controls and other procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Principal Executive Officer and Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that our transactions are properly authorized, recorded and reported and our assets are safeguarded against unauthorized or improper use, to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

In designing disclosure controls and procedures, our management necessarily is required to apply its judgment in evaluating the costs-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events. Accordingly, internal controls, however well conceived, provide reasonable but not absolute assurance in that their design will succeed in achieving their stated goals under all potential future conditions.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the three months ended September 30, 2011, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company was not a party to pending legal proceedings during the period ended September 30, 2011.

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

(a) During the period ended September 30, 2011, the Company issued an aggregate of 100,000 shares of restricted Common Stock to a consultant as equity compensation future services to be rendered to the Company.

The issuances of securities were exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. The securities are restricted securities for purposes of the Securities Act. The consultant has access to information concerning the Company. The consulting agreement pursuant to which the shares were granted provides that the certificates will bear a restrictive legend indicating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an exemption therefrom:

(c) The repurchases provided in the table below were made during the quarter ended September 30, 2011:

	Total Number of Securities Purchased	Average Price Paid per Share	Cost of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate dollar value that May Yet Be Purchased Under the Plan
July 1 to July 31	—	—	—	$ 420,669
August 1 to August 31	5,000	$ 0.30	1,500	$ 419,169
September 1 to September 30	250,000	$ 0.20	50,000	$ 369,169

On September 7, 2010, the Company issued a press release announcing that its board of directors authorized a stock repurchase program permitting the Company to repurchase up to $500,000 in shares of its outstanding Common Stock over the next 12 months. The shares of Common Stock may be purchased from time to time in open market transactions or in privately negotiated transactions at the Company's discretion.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+

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\+ Filed herewith

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.

Brekford Corp.

Date: November 01, 2011

By: /s/ C.B. Brechin
Chandra (C.B.) Brechin
Chief Executive Officer, Chief Financial Officer, Treasurer and Director
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT INDEX

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