DIRECTVIEW HOLDINGS INC
Form 10-K
May 15, 2013

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

or

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

For the transition period from ________________ to__________________

Commission file number: 000-53741

DIRECTVIEW HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	20-5874633
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

21218 Saint Andrews Blvd., suite 323, Boca Raton, FL	33433
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (561) 750-9777

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	Not applicable

Securities registered under Section 12(g) of the Act:

Common stock
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.   o Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.   o Yes þ No

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 o

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 (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 (Do not check if smaller reporting company)	o	Smaller reporting company	þ

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter $761,026 on June 30, 2012.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 153,119,278 shares of common stock are issued and outstanding as of May 14, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Various statements in this registration statement contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our history of losses and declining sales, our ability to raise sufficient capital to fund our operating losses, increase our net sales to a level which funds our operating expenses, economic, political and market conditions and fluctuations, competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this registration statement in its entirety, including the risks described in Item 1A. Risk Factors. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this registration statement, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

OTHER PERTINENT INFORMATION

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

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

“DirectView Video” refers to DirectView Video Technologies, Inc. a company organized under the laws of the state of Florida.

“DirectView Security” refers to DirectView Security Systems, Inc. a company organized under the laws of the state of Florida.

“Ralston” refers to Ralston Communication Services, Inc. a company organized under the laws of the state of Florida.

“Meeting Technologies” refers to Meeting Technologies Inc., a company organized under the laws of the state of Delaware.

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PART I

ITEM 1. BUSINESS.

ORGANIZATION

Directview Holdings, Inc., a Nevada corporation ("Directview Holdings") was formed in October 2006. At that time DirectView Holdings acquired Ralston Communications Services, Inc., a Florida Corporation, ("Ralston Communications") and Meeting Technologies, Inc. a Delaware corporation ("Meeting Tech").

Thereafter Directview Holdings formed Directview Security Systems, Inc., a Florida corporation ("Directview Security") as a wholly owned subsidiary in February 2007 and Directview Video Technologies, Inc., a Florida corporation, ("Directview Video") as a wholly owned subsidiary in July 2007.

In November 2008, Homeland Integrated Security Systems, Inc., a Florida corporation (name changed to DirectView Technology Group, Inc. and referred to hereafter as "Technology Group) entered into an acquisition agreement with Directview Video Technology, Inc. a Florida corporation ("Directview Video"). The agreement includes a condition to ultimate consummation of the transaction, a 30-day clause which provided for termination of the agreement in the event any of the payment or exchanges were not finalized. Technology Group failed to pay the consideration within 30 days of acquisition which resulted to a termination of such agreement. Thus the closing of this transaction did not occur or consummate. As a result of these transactions and events, Technology Group, Roger Ralston and the DirectView companies did not complete the acquisition and integration of the DirectView companies with Technology Group, and there has been no relationship between the parties since that time. Mr. Ralston, our CEO, or any of the employees of Directview Holdings do not presently hold any position or ownership of Technology Group.

SUBSIDIARIES

DirectView Video Technologies, Inc. is a full-service provider of high-quality, cost efficient videoconferencing technologies and services. DirectView provides multipoint videoconferencing, network integration services, custom room design, staffing, document conferencing and IP / webconferencing services to businesses and organizations in the United States and around the world. DirectView conferencing services enable our clients to cost-effectively, instantaneously conduct remote meetings by linking participants in geographically dispersed locations.

DirectView Security Systems, Inc. - is a provider of the latest technologies in surveillance systems, digital video recording and services. The systems provide the latest in onsite and remote video and audio surveillance.

Ralston Communications Services, Inc. – is a full service provider of network services who partners with Sprint and works with other carriers such as Verizon and AT&T. The network allows many clients of other Directview Holdings companies to communicate whether they need it for DirectView videoconferencing connections or monitoring or DVRs.

Meeting Technologies Inc. – is a company that provides services similar to DirectView Video Technologies, Inc.

CURRENT BUSINESS OPERATIONS

Through our subsidiaries, our business operates within two divisions (i) video conferencing services, and (ii) security and surveillance. All of these entities combine to provide the services offered by Directview Holdings. None of the employees or officers of Directview Holdings provide similar services for any other entity.

Video conferencing services: full-service provider of teleconferencing services.

Security & Surveillance. Designs and installs surveillance systems, digital video recording and services.

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Video conferencing services

We are a full-service provider of video conferencing technologies and services. We provide multipoint video conferencing, network integration services, custom room design, staffing, document conferencing and IP/webconferencing services to businesses and organizations in the United States and we focus to provide this around the world. We believe that our video conferencing services enable our clients to cost-effectively, instantaneously conduct remote meetings by linking participants in geographically dispersed locations. Our mission is to provide customized video conferencing solutions and services to businesses and organizations. From design to installation, we strive to deliver products and services that are simple to understand, easy to implement and even easier to use.

Our products and services include the:

- sale of conferencing services based upon usage,
- sale and installation of video equipment, and
- sale of maintenance agreements.

Video conferencing as a medium for business communications has provided opportunities to streamline complex business processes and to conduct transactions more efficiently. As a result, sophisticated audio or video-enabled interactive communications have become increasingly necessary as companies seek to become more efficient and effective. We seek to employ the technical knowledge of our management team to provide our clients with solutions for a wide range of applications suitable for a variety of industries. We have installation and integration experience with expertise in one-on-one or large, multi-sided group meetings, and we currently have installations ranging from very simple configurations to highly customized rooms with multiple cameras, document presentation stands, recording devices, scanners, and printers.

Initially we provide consultation to address and evaluate the project requirements and to offer expert advice on technology solution for our customer’s specific application. We assess the customer’s needs, desires and existing communications equipment, as well as cost-justification and return-on-investment analysis for system installations. Our products and services include multipoint video conferencing, network integration services, custom room design, staffing, document conferencing and IP/web conferencing services.

A multipoint video conference is a video conference involving more than two sites. As a participant speaks, video is switched at all sites to broadcast the person speaking by a device called a multi-control unit. This switching unit is sound activated and can distinguish between short ambient sounds and long sustained sounds. It can also be set up in a “Hollywood Squares” type of look where all participants see each other. The call can also be set in a “chairperson mode” in which all sites see only the person heading the call. We offer multipoint bridge services to tie all of the locations, and we control this multipoint bridge. We outsource the remote access services which are incorporated into these multipoint video conferences to a variety of third party providers. We have no fixed agreements with such third party providers. Our base standard price is from $125 to $150 per hour per location which includes all costs related to these services. Where the client requests, we can staff a client assignment with one of our employees to manage all of the client’s video conferencing needs. The cost of this technical support varies from assignment to assignment.

We offer a wide variety of network integration services to support our clients’ planning, design, and implementation efforts in deploying new network technologies such as Internet protocol (IP), integrated services digital network (ISDN), a T-1 data transfer system or working with their existing network infrastructure. Our network integration services are designed to be comprehensive to ensure that all unique collaboration needs are met. Our services can include a full menu of services from initial order coordination with outside contractors or providers to liaison with local phone companies, installation, training, or can be customized for a particular job. Whether starting from scratch or working with an existing environment we can also provide all aspects of design and installation for video conferencing rooms, including room layout, furniture, built in wall monitors, custom audio and video as well as document collaboration such as T120 data conferencing and document camera and presentation stands. We will also design computer integration. Costs for these custom installations may vary based upon the layout and complexity of the job.

We also offer our clients document conferencing and IP/Web conferencing services. Document conferencing affords the ability to bring people together to discuss, review and collaborate as a group, and to make on-line, real-time decisions regardless of the locations of the participants. IP/web conferencing services provides the client with a reliable and affordable way to share software applications, PowerPoint presentations, or anything running on a personal computer with others in online meetings. With these systems, meeting participants can view with clarity what is displayed on a desktop. We utilize third party software and applications such as Polycom and Sony to provide these services to our clients.

When a video conferencing system is functional, we also provide training to all levels of the customer's organization, including executives, managers, management information systems and data processing administrators, technical staff and end users. The training includes instruction in system operation, as well as the planning and administration of meetings. The training can last anywhere from one hour to two days, depending upon the level of training that the client requests or requires. All training costs are built into each sale where training is required.

We are also a reseller of video conferencing products, including integrated video conferencing systems, video presentation products, flat screen monitors, iPower collaboration tools, Polycom view stations. We sell products from a variety of top manufacturers including Sony, Elggen, Fujitsu, Hitachi, JVC, NEC, Panasonic, Phillips, Pioneer, Samsung and ViewSonic.

Security services

We are also a provider of the latest technologies in surveillance systems, digital video recording and services. The systems provide onsite and remote video and audio surveillance.

We offer several service options to protect and maintain each company's security investment which includes a customized security system. We assess each client’s security needs and challenges through an on-site survey, which is performed by specially trained technicians, consists of a video-taped analysis and in-depth interviews to determine each client's security needs. We also make recommendations for initiating or improving each client’s systems as well as, providing a plan for growth. We offer a complete line of non-proprietary products including digital video recorders, access control, ID badging, communications and integration of all of the foregoing. We are able to provide a plan for a simple addition or a major migration to a new platform. We provide the highest quality installations, from mobilization to final testing, certification and training.

Suppliers

We are dependent on third parties for the supply and manufacturing of our subassemblies, components and electronic parts, including standard and custom-designed components. We generally do not maintain supply agreements with such third parties but instead purchase components and electronic parts pursuant to purchase orders in the ordinary course of business. We are dependent on the ability of our third-party manufacturers and suppliers to meet our design, performance and quality specifications.

Marketing and Distribution

Our video conferencing products and services are marketed and sold to the commercial, government, medical and educational sectors through a direct sales force and through referrals. We currently have three sales agents in our direct sales force that works for commission. A majority of our sales comes from word of mouth and referrals. Sales of video conferencing products to resellers are made on terms with respect to pricing, payment and returns that are consistent with those offered to end user customers. No price protection or similar arrangement is offered, nor are the obligations as to payment contingent on the resale of the equipment purchased by the reseller. There are no special rights to return equipment granted to resellers, nor are we obligated to repurchase reseller inventory.

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We provide our video conferencing sales force with ongoing training to ensure that it has the necessary expertise to effectively market and promote our business and solutions. In conjunction with manufacturer-sponsored programs, we provide existing and prospective customers with sales, advertising and promotional materials. We maintain up-to-date systems for demonstration purposes in all of our sales offices and demonstration facilities. Our technical and training personnel periodically attend installation and service training sessions offered by video communications manufacturers to enhance their knowledge and expertise in the installation and maintenance of the systems.

Our security systems division focuses a majority of its sales and marketing efforts in any industry and companies where there is space/room to be monitored by our surveillance camera systems. Our marketing efforts are done through direct sales force, referrals and our website.

Competition

The market for video conferencing products and services is extremely competitive. Competitive factors include pricing, our reputation and ease of use. Our primary competitors include manufacturers and resellers of video communications equipment, some are larger, have longer operating histories and have greater financial resources and industry recognition than us. The competitors would include local Bell Companies, Polycom and Tandberg.

The security industry is highly competitive. We compete on a local and regional level with a small number of major firms and many smaller companies in the installed surveillance system space, and nationally in the direct to dealer space. We compete primarily on the quality of our service and the design and reliability of our products. Some of our competitors have greater name recognition and financial resources than us. We may also face competition from potential new entrants into the security industry or increased competition from existing competitors that may attempt to develop the ability to offer the full range of services that we offer. We believe that competition is based primarily on the ability to deliver solutions that meet a client’s requirements and, to a lesser extent, on price. Our competitors in the installed system space include Vector Security, American Sentry Guard, GVI Security Solutions, Inc., ADT Security Services, Ltd. (a division of Tyco International) and Sonitrol, Inc. There can be no assurance that we will be able to compete successfully in the future against existing or potential competitors who are larger or better capitalized.

Since the barriers to entry in the market are relatively low and the potential market is large, we expect continued growth in existing competitors and the entrance of new competitors in the future. Most of our current and potential competitors have significantly longer operating histories and significantly greater managerial, financial, marketing, technical and other competitive resources, as well as greater name recognition, than we do. As a result, these companies may be able to adapt more quickly to new or emerging technologies and changes in customer requirements and may be able to devote greater resources to the promotion and sale of their competing products and services. There are no assurances we will ever effectively compete in our target markets.

Our Customers

Our video conferencing products and services are sold to commercial, government, medical and educational sectors that use technology to cost-effectively, instantaneously conduct remote meetings by linking participants in geographically dispersed locations. Our security system division provides the latest technologies in surveillance systems, digital video recording and services in any industry, organization and companies. In 2012 four clients, Trump Organization, Braver Stern Securities, LLC, European School of Economics, and Personalized Experts accounted for revenues of $101,474 which is approximately 83% of our total consolidated revenues in 2012. In 2011 four clients, Trump Organization, Emblem Healthcare, DESS NY, and Diebold Corp accounted for 68% of our total consolidated revenues. These clients accounted for revenues of $178,138, representing approximately 68% of our consolidated revenues in 2011. We do not presently have any contracts with other clients.

Website

We maintain a website at www.DirectViewInc.com and www.DirectViewSecurity.com.

Intellectual Property

We do not possess any intellectual property.

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Employees

We currently have four employees which includes our 2 officers; Roger Ralston, CEO and Michele Ralston, CFO both of whom are full-time. None of our employees are covered by a collective bargaining agreement, nor are they represented by a labor union. We have not experienced any work stoppages, and we consider relations with our employees to be good.

History of our company

We were incorporated under the laws of the State of Delaware on October 6, 2006. In October 2006 we also acquired Ralston Communications and Meeting Technologies from DirectView, Inc., a Nevada corporation of which our executive officers and directors were officers and directors immediately prior to such acquisition, in exchange for the assumption by us of these subsidiaries working capital deficiencies and any and all trade credit and other liabilities. Immediately prior to this transaction, in conjunction with the acquisition by DirectView, Inc. of all of the stock of another entity which resulted in a change of control of DirectView, Inc., our executive officers and directors resigned their positions with DirectView, Inc. Both Ralston Communications and Meeting Technologies had historically provided the video conferencing services we continue to provide. Thereafter, in February 2007 we formed DirectView Security and in July 2007 we formed DirectView Video. On July 6, 2012 the Company changed its domicile from Delaware and incorporated in the state of Nevada.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a significant degree of risk. You should not invest in our common stock unless you can afford to lose your entire investment. You should consider carefully the following risk factors and other information in this registration statement before deciding to invest in our common stock.

Risks Related to Our Business

WE HAVE AN ACCUMULATED DEFICIT AND WE ANTICIPATE CONTINUING LOSSES THAT WILL RESULT IN SIGNIFICANT LIQUIDITY AND CASH FLOW PROBLEMS AND WE MAY BE FORCED TO CEASE OPERATIONS.

We have incurred losses since our inception, and have an accumulated deficit of approximately $15.5 million as of December 31, 2012. Our operations have been financed primarily through the issuance of equity and debt. For the year ended December 31, 2012, net loss and cash used in operations was $1,114,576 and $265,350, respectively. We are constantly evaluating our cash needs and our burn rate, in order to make appropriate adjustments in operating expenses. We anticipate that our cash used in operations will increase as a result of becoming a public company as a result of increased professional fees. Our continued existence is dependent upon, among other things, our ability to raise capital and to market and sell our products and services successfully. While we are attempting to increase sales, growth has not been significant enough to support daily operations, there is no assurance that we will continue as a going concern. If we are unable to continue as a going concern and were forced to cease operations, it is likely that our stockholders would lose their entire investment in our company.

OUR AUDITORS HAVE EXPRESSED DOUBTS ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN. IF WE WERE FORCED TO CEASE OUR BUSINESS AND OPERATIONS, YOU WOULD LOSE YOUR INVESTMENT IN OUR COMPANY.

Our revenues are not sufficient to enable us to meet our operating expenses and otherwise implement our business plan. At December 31, 2012, the report of our independent registered public accounting firm on our financial statements for the year ended December 31, 2012 contains an explanatory paragraph raising doubt as to our ability to continue as a going concern as a result of our losses from operations, stockholders' deficit and negative working capital. Our consolidated financial statements, which appear elsewhere in this registration statement, are prepared assuming we will continue as a going concern. The financial statements do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result if we are not successful.

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WE ARE PAST DUE IN THE PAYMENT OF PAYROLL TAXES.

At December 31, 2012 we had approximately $227,000 of accrued but unpaid payroll taxes due the federal government which includes penalties and interests. We do not have the funds necessary to satisfy this obligation. If we are unable to raise the funds necessary, it is possible that we will be subject to significant additional fines and penalties, Mr. Ralston, our CEO, could be personally subject to a 100% penalty on the amount of unpaid taxes and the government could file liens against our company and our bank accounts until such time as the amounts have been paid.

WE WILL NEED ADDITIONAL FINANCING WHICH WE MAY NOT BE ABLE TO OBTAIN ON ACCEPTABLE TERMS IF AT ALL. DUE TO THE SIZE OF OUR COMPANY AND THE LACK OF A PUBLIC MARKET FOR OUR COMMON STOCK IT IS LIKELY THAT THE TERMS OF ANY FINANCING WE MAY BE ABLE TO SECURE WILL BE DETRIMENTAL TO OUR CURRENT STOCKHOLDERS.

Our current operations are not sufficient to fund our operating expenses and we will need to raise additional working capital to continue our current business and to provide funds for marketing to support our efforts to increase our revenues. Generally, small businesses such as ours which lack a public market for their securities, face significant difficulties in their efforts to raise equity capital. While to date we have relied upon the relationships of our executive officers in our capital raising efforts, there are no assurances that we will be successful utilizing these existing sources. In such an event, we could be required to engage a broker-dealer to assist us in our capital raising efforts. Even if we are successful in finding a broker-dealer willing to assist us in raising capital, there are no assurances that the terms of financings offered by a broker-dealer will be as favorable as those we have offered our investors to date. While we do not have any commitments to provide additional capital, if we are able to raise capital, the structure of that capital raise could impact our company and our stockholders in a variety of ways. If we raise additional capital through the issuance of debt, this will result in interest expense. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our company held by existing stockholders will be reduced and those stockholders may experience significant dilution. In addition, new securities may contain certain rights, preferences or privileges that are senior to those of our common stock. We cannot assure you that we will be able to raise the working capital as needed in the future on terms acceptable to us, if at all. If we do not raise funds as needed, we may not be able to continue our operations and it is likely that you would lose your entire investment in our company.

WE WILL NEED TO RAISE CAPITAL OVER THE NEXT TWELVE MONTHS TO FUND OUR OPERATIONS.

We will be required to raise capital to fund our obligations and for general working capital. We do not have any commitments to provide this additional capital and we cannot assure you that funds are available to us upon terms acceptable to us, if at all. If we do not raise funds as needed, our ability to provide for current working capital needs and satisfy our obligations is in jeopardy. In this event, you could lose all of your investment in our company.

WE MAY HAVE DIFFICULTY RAISING NECESSARY CAPITAL TO FUND OPERATIONS AS A RESULT OF A LIMITED MARKET FOR OUR SHARES OF COMMON STOCK.

Presently shares of our common stock are not listed on an exchange. And there is no guarantee that a market for our common shares will exist if we are listed on an exchange. Furthermore, our shares of common stock can also be expected to be subject to volatility resulting from purely market forces over which we will have no control. We require additional financing to satisfy our obligations and continue to operate. The development of our business is therefore dependent upon our ability to obtain financing through debt and equity or other means.

BECAUSE WE SELL CAPITAL EQUIPMENT, OUR BUSINESS IS SUBJECT TO OUR CUSTOMERS' CAPITAL BUDGET AND WE MAY SUFFER DELAYS OR CANCELLATIONS OF ORDERS. THE CURRENT DOWNTURN IN THE U.S. ECONOMY MAY ADVERSELY IMPACT NET SALES IN FUTURE PERIODS.

Customers for our products are companies that require teleconferencing equipment. These companies may purchase our equipment as part of their capital budget. As a result, we are dependent upon receiving orders from companies that are either expanding their business, commencing a new business, upgrading their capital equipment or otherwise require capital equipment. Our business is therefore dependent upon both the economic health of our customers' financial condition and our ability to offer products that meet their requirements based on potential cost savings in using teleconferencing equipment in contrast to existing equipment or equipment offered by others.

OUR DEPENDENCE ON A LIMITED NUMBER OF THIRD-PARTY SUPPLIERS FOR KEY TELECONFERENCING AND CUSTOMIZED EQUIPMENT COULD PREVENT US FROM TIMELY DELIVERING OUR PRODUCTS TO OUR CUSTOMERS IN THE REQUIRED QUANTITIES, WHICH COULD RESULT IN ORDER CANCELLATIONS AND DECREASED REVENUES.

We purchase equipment from a limited number of third-party suppliers. If we fail to develop or maintain our relationships with these or our other suppliers, we may be unable to obtain equipment or our products may be available at a higher cost or after a long delay, and we could be prevented from delivering our products to our customers in the required quantities and at prices that are profitable. Problems of this kind could cause us to experience order cancellations and loss of market share. The failure of a supplier to supply components that meet our quality, quantity and cost requirements in a timely manner could impair our ability to deliver our products or increase our costs, particularly if we are unable to obtain these components from alternative sources on a timely basis or on commercially reasonable terms. As a result, such equipment is not readily available from multiple vendors and would be difficult to repair or replace.

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WE DEPEND ON OUR KEY MANAGEMENT PERSONNEL AND THE LOSS OF THEIR SERVICES COULD ADVERSELY AFFECT OUR BUSINESS.

We place substantial reliance upon the efforts and abilities of our executive officers, Roger Ralston, our Chairman and Chief Executive Officer, and Michele Ralston, our Chief Financial Officer, and a director. The loss of the services of any of our executive officers could have a material adverse effect on our business, operations, revenues or prospects. We do not maintain key man life insurance on the lives of these individuals.

MANAGEMENT EXERCISES SIGNIFICANT CONTROL OVER MATTERS REQUIRING SHAREHOLDER APPROVAL WHICH MAY RESULT IN THE DELAY OR PREVENTION OF A CHANGE IN OUR CONTROL.

Roger Ralston, our Chairman and Chief Executive Officer, would have voting power equal to approximately 56% of our voting securities. As a result, management through such stock ownership rights has the ability to exercise significant control over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership in management may also have the effect of delaying or preventing a change in control of us that may be otherwise viewed as beneficial by shareholders other than management.

Risks Related to Our Stock

PROVISIONS OF OUR CERTIFICATE OF INCORPORATION AND BYLAWS MAY DELAY OR PREVENT A TAKE-OVER WHICH MAY NOT BE IN THE BEST INTERESTS OF OUR STOCKHOLDERS.

Provisions of our certificate of incorporation and bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt. In addition, certain provisions of Delaware law also may be deemed to have certain anti-takeover effects which include that control of shares acquired in excess of certain specified thresholds will not possess any voting rights unless these voting rights are approved by a majority of a corporation's disinterested stockholders.

In addition, our articles of incorporation authorize the issuance of up to 5,000,000 shares of preferred stock with such rights and preferences as may be determined from time to time by our board of directors. Our board of directors may, without stockholder approval, issue additional classes of preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock.

WE HAVE NOT VOLUNTARILY IMPLEMENTED VARIOUS CORPORATE GOVERNANCE MEASURES, IN THE ABSENCE OF WHICH, STOCKHOLDERS MAY HAVE MORE LIMITED PROTECTIONS AGAINST INTERESTED DIRECTOR TRANSACTIONS, CONFLICTS OF INTEREST AND SIMILAR MATTERS.

Federal legislation, including the Sarbanes-Oxley Act of 2002, has resulted in the adoption of various corporate governance measures designed to promote the integrity of the corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the NYSE or the NASDAQ Stock Market, on which their securities are listed. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address board of directors' independence, audit committee oversight, and the adoption of a code of ethics. While we have adopted certain corporate governance measures such as a Code of Ethics, we presently do not have any independent directors. It is possible that if we were to have independent directors on our board, stockholders would benefit from somewhat greater assurances that internal corporate decisions were being made by disinterested directors and that policies had been implemented to define responsible conduct. For example, in the absence of audit, nominating and compensation committees comprised of at least a majority of independent directors, decisions concerning matters such as compensation packages to our senior officers and recommendations for director nominees may be made by our directors who have an interest in the outcome of the matters being decided. Prospective investors should bear in mind our current lack of corporate governance measures and independent directors in formulating their investment decisions.

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WE MAY BE EXPOSED TO POTENTIAL RISKS RELATING TO OUR INTERNAL CONTROLS OVER FINANCIAL REPORTING AND OUR ABILITY TO HAVE THOSE CONTROLS ATTESTED TO BY OUR INDEPENDENT AUDITORS.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission adopted rules requiring public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K. In addition, the independent registered public accounting firm auditing a company's financial statements must also attest to and report on management's assessment of the effectiveness of the company's internal controls over financial reporting as well as the operating effectiveness of the company's internal controls. We were not subject to these requirements for the fiscal year ended December 31, 2012. We are evaluating our internal control systems in order to allow our management to report on our internal controls, as a required part of our Annual Report on Form 10-K.

While we expect to expend significant resources in developing the necessary documentation and testing procedures required by SOX 404, there is a risk that we will not comply with all of the requirements imposed thereby. At present, there is no precedent available with which to measure compliance adequacy. Accordingly, there can be no positive assurance that we will receive a positive attestation from our independent auditors.

In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner or we are unable to receive a positive attestation from our independent auditors with respect to our internal controls, investors and others may lose confidence in the reliability of our financial statements and our ability to obtain equity or debt financing could suffer.

BECAUSE THERE IS NO ACTIVE PUBLIC MARKET FOR OUR COMMON STOCK, YOU MAY FIND IT EXTREMELY DIFFICULT OR IMPOSSIBLE TO RESELL OUR SHARES. EVEN IF A PUBLIC MARKET IS ESTABLISHED, WE CANNOT GUARANTEE YOU THAT THERE WILL EVER BE ANY LIQUIDITY IN OUR COMMON STOCK.

There is currently no active public market for the shares of our common stock. While we intend to seek a broker dealer who will file an application with the OTC Bulletin Board and make a market in our securities, there is no assurance that a broker dealer will be interested in making a market in our stock or that an active market in our stock will ever develop. If our common stock is not traded on the OTC Bulletin Board or if a public market for our common stock does not develop, investors may not be able to re-sell the shares of our common stock that they have purchased and may lose all of their investment. In addition, even if a quotation is obtained, the OTC Bulletin Board and similar quotation services are often characterized by low trading volumes, and price volatility, which may make it difficult for an investor to sell our common stock on acceptable terms. In addition, all the shares of common stock have not been registered under the Securities Act of 1933 or under the securities laws of any state or other jurisdiction. As a result, such securities can be transferred without registration under the Securities Act of 1933 or, if applicable, the securities laws of any state or other jurisdiction only if such registration is not then required because of an applicable exemption there from. Compliance with the criteria for securing exemptions under the Securities Act of 1933 and the securities laws of various states is extremely complex. Accordingly, an investment in our company is suitable only for persons who have no need for liquidity in the investment, and can afford to hold unregistered securities for an indefinite period of time.

IF AN ACTIVE PUBLIC MARKET FOR OUR COMMON STOCK EVER DEVELOPS, TRADING WILL BE LIMITED UNDER THE SEC'S PENNY STOCK REGULATIONS, WHICH WILL ADVERSELY AFFECT THE LIQUIDITY OF OUR COMMON STOCK

In the event we are able to obtain a quotation of our common stock on the OTC Bulletin Board, given the relative small size of our company it is likely that the trading price of our common stock will be less than $5.00 per share. In that event, our common stock would be considered a "penny stock," and trading in our common stock would be subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. Generally, the broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser's written consent prior to the transaction.

SEC regulations also require additional disclosure in connection with any trades involving a "penny stock," including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of securities in the secondary market because few broker or dealers are likely to undertake these compliance activities. In addition to the applicability of the penny stock rules, other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market. An active and liquid market in our common stock may never develop due to these factors.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable to a smaller reporting company.

ITEM 2. DESCRIPTION OF PROPERTY

We currently use general office space in Boca Raton, Florida from a related party. The facility is provided to us at no cost by our CEO and director, Roger Ralston. We believe that our facility is adequate to meet our current needs.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any pending or threatened litigation.

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

None.

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PART II

ITEM 5. MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market Price of and Dividends on Common Equity and Related Stockholder Matters

There is currently no public market for our common stock and we do not know if a market will ever develop. As of April 16, 2013, there were 189 record owners of our common stock.

Dividend Policy

We have never paid cash dividends on our common stock. Under Nevada law, we may declare and pay dividends on our capital stock either out of our surplus, as defined in the relevant Nevada statutes, or if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. If, however, the capital of our company, computed in accordance with the relevant Nevada statutes, has been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, we are prohibited from declaring and paying out of such net profits and dividends upon any shares of our capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

Securities Authorized for Issuance under Equity Compensation Plans

We have not adopted any stock option, incentive option or similar plans and, accordingly, do not have any options or other such rights outstanding.

Recent Sales of Unregistered Securities

Between January 2012 and December 2012, we sold an aggregate of 36,666,175 shares of our common stock for net proceeds of approximately $19,000 to an accredited investor in private transactions exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 4(2) of that act.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to a smaller reporting company.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion ofour financial condition and results of operation for the fiscal years ended December 31, 2012 and 2011 should be read in conjunction with the selected consolidated financial data, the financial statements and the notes to those statements that are included elsewhere in this report). Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Item 1A. Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Business sections in this Form 10-K. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will, “could,” and similar expressions to identify forward-looking statements.

Overview

Our operations are conducted within two divisions:

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

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

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

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

Our net sales are not sufficient to fund our operating expenses. We have relied upon funds from the issuance of notes, the sale of common stock and advances from our executive officers to provide working capital to our company. These funds, however, are not sufficient to pay all of our expenses nor to provide the additional capital we believe is necessary to permit us to market our company in an effort to increase our sales. We are always looking for opportunities with new dealers, and plan to evaluate the market for our products throughout 2013 to determine whether we should hire additional employees in our sales force. We seek to establish brand identity for our company, communicate our brand and its values to investors and customers, build a relationship and reinforce existing relationships and further trigger recognition through telemarketing and hiring additional sales people to our sales staff. We believe that these strategies will provide an avenue for us to increase consumer usage of our technology, increase demand for our products and generate revenues. No assurance can be provided that we will successfully implement our strategy. We are subject to significant business risks and may need to raise additional capital in order to realize and effectuate the above strategy.

Our experience has demonstrated that our ability to raise capital is generally limited. Following the effectiveness of our registration statement in fiscal 2009, we became subject to the reporting obligations of the Securities Exchange Act of 1934 and require us to file quarterly and annual reports, among other filings, with the Securities and Exchange Commission, and we hope to obtain a quotation of our common stock on the OTC Bulletin Board. We believe that both of these actions will increase our opportunities to raise the necessary capital to continue our business in that there will be public information available on our company and our financial condition and a trading market for our common stock. There are no assurances, however, that our assumption is correct. We may not be successful in obtaining the quotation of our common stock on the OTC Bulletin Board and even if we are successful there are no assurances a meaningful market for our common stock will develop. The uncertainty in the capital markets, the small size of our company and the low barriers to entry in our market make our company less attractive to prospective investors and we may never be successful in raising the needed capital. In addition, our operating expense increased because we incurred higher professional fees to comply with the reporting requirements of the Securities Exchange Act of 1934. If we are unable to raise the necessary capital, we will not be able to expand our business and our ability to continue as a going concern will be in jeopardy.

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Critical Accounting Policies and Estimates

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

Revenue Recognition

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

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

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

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

Stock based Compensation

In December 2004, the Financial Accounting Standards Board, or FASB, issued FASB ASC Topic 718: Compensation – Stock Compensation ("ASC 718"). Under ASC 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share-based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. Companies may elect to apply this statement either prospectively, or on a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods under ASC 718. Upon adoption of ASC 718, the Company elected to value employee stock options using the Black-Scholes option valuation method that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. Such compensation amounts, if any, are amortized over the respective vesting periods or period of service of the option grant.

Use of Estimates

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

Account Receivable

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

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Property and Equipment

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

Income Taxes

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

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

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

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

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

Recent accounting pronouncements

Adoption of New Accounting Principles

In January 2010, the Financial Accounting Standards Board (“FASB”) issued updated guidance to improve disclosures regarding fair value measurements. This update requires entities to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately (i.e., on a gross basis rather than as one net number), information about purchases, sales, issuances, and settlements in the roll forward of changes in Level 3 fair value measurements. The update requires fair value disclosures by class of assets and liabilities rather than by major category or line item in the statement of financial position. Disclosures regarding the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for assets and liabilities in both Level 2 and Level 3 are also required. For all portions of the update except the gross presentation of activity in the Level 3 roll forward, this standard was effective for us on March 1, 2010. For the gross presentation of activity in the Level 3 roll forward, the new disclosures were effective December 1, 2011. As the accounting standard only impacts disclosures, the new standard did not have an impact on our financial position, results of operations, or cash flows.

As of September 1, 2011, we adopted FASB's amended guidance on testing goodwill for impairment. Previous guidance required that an entity test for goodwill impairment by comparing the fair value of a reporting unit with its carrying amount including goodwill. If the fair value is less than its carrying amount, then a second step is performed to measure the amount of the impairment loss. Under this new amendment an entity is not required to calculate the fair value of the reporting unit unless the entity determines that it is more likely than not (a likelihood of more than 50%) that its fair value is less than its carrying amount. The adoption of the new standard did not have a material impact on our financial position or results of operations.

In December 2010, the FASB issued authoritative guidance on disclosure of supplementary pro forma information for business combinations. The new guidance requires that pro forma financial information be prepared as if the business combination occurred as of the beginning of the prior annual period. The guidance was effective for business combinations subsequent to December 1, 2011.

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In May 2011, the FASB issued amended guidance on fair value measurement and related disclosures. The new guidance clarified the concepts applicable for fair value measurement and requires new disclosures, with a particular focus on Level 3 measurements. This guidance was effective for us in the second quarter of fiscal 2012, and was applied retrospectively.

New Accounting Pronouncements

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income. The amended guidance eliminates one of the presentation options provided by current U.S. GAAP, which is to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, it gives an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for us beginning in the first quarter of fiscal 2013, and will be applied retrospectively. As the accounting standard only impacts disclosures, the new standard will not have an impact on our financial position, results of operations, or cash flows.

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

Results of Operations

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Net Sales

Overall, our net sales for the year ended December 31, 2012 decreased approximately 53% from the comparable period in 2011. The following table provides comparative data regarding the source of our net sales in each of these periods and the change from 2011 to 2012:

	Year Ended December 31, 2012			Year Ended December 31, 2011			Change in Sales	
	$	% of Total		$	% of Total		Variance	
Sale of product	78,118	64	%	138,343	53	%	44	%
Service	44,145	36	%	122,386	47	%	64	%
Total	122,263	100	%	260,729	100	%	53	%

Sales of product for the year ended December 31, 2012 decreased approximately 44% as compared to the year ended December 31, 2011. Services revenue decreased by approximately 64% due to one customer in 2011 generating a significant amount of revenue in 2011.

Net sales decreased due to increased competition from competitors that sell similar products. In an effort to increase our sales in future periods, we need to hire additional sales staff to initiate a telemarketing campaign and we need to obtain leads from various lead sources such as lead generating telemarketing lists, email marketing campaigns and other sources. However, given our lack of working capital, we cannot assure that we will ever be able to successfully implement our current business strategy or increase our revenues in future periods. Although we recognized sales during the year ended December 31, 2012, there can be no assurances that we will continue to recognize similar revenues in the future.

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Cost of sales

Cost of product includes product and delivery costs relating to the sale of product revenue. Cost of services includes labor and installation for service revenue. Overall, cost of sales decreased approximately 39% for the year ended December 31, 2012 compared to December 31, 2011 The following table provides comparative data regarding the breakdown of the cost of sales in each of these periods and the change from 2011 to 2012:

	Year Ended December 31, 2012			Year Ended December 31, 2011			Change in Costs	
	$	% of Total		$	% of Total		Variance	
Cost of product	37,984	44	%	83,149	59	%	54	%
Cost of service	47,500	56	%	57,453	41	%	17	%
Total	85,484	100	%	140,602	100	%	39	%

During the year ended December 31, 2012, our cost of product decreased approximately 54% as compared to the year ended December 31, 2011. Our cost of services decreased 17% as compared to the year ended December 31, 2011.

Total operating expenses for the year ended December 31, 2012 were $1,104,230 a decrease of $158,681, or approximately 13%, from total operating expenses for the comparable year ended December 31, 2011 of $1,262,911. This decrease is primarily attributable to:

a decline in Other Selling, General and Administrative Costs related to primarily a decrease in professional fees.

Loss from operations

We reported a loss from operations of $1,067,451 for the year ended December 31, 2012, as compared to a loss from operations of $1,142,784 for the year ended December 31, 2011. A decrease of $75,333 or 7% for the year ended December 31, 2012.

Other Income (Expenses)

Total other expense was $47,125 for the year ended December 31, 2012 as compared to other expense of $196,864 for the year ended December 31, 2011. A decrease of other expense of $149,739, for the year ended December 31, 2012 is primarily attributable to:

$22,876 and $10,430 of other income for the years ended December 31, 2012 and 2011, respectively, was attributable to the decrease of change in fair value of derivatives and a increase in debt forgiveness income;

a decrease of $63,536 in interest expense for the year ended December 31, 2012 as compared to the same period in 2011 which is primarily attributable to a decrease of interest expense due to the conversion of promissory notes to common stock.

For the years ended December 31, 2012 and 2011, we recorded derivative liability expense of $0 and $61,978 respectively in connection with the issuance of the convertible promissory note in September 2010. Change in fair value of derivative liabilities expense consist of income or expense associated with the change in the fair value of derivative liabilities as a result of the application of FASB ASC Topic No. 815-40, Derivatives and Hedging – Contracts in an Entity’s Own Stock , to our consolidated financial statements. The variation in fair value of the derivative liabilities between measurement dates amounted to a decrease of $61,978 during the year ended December 31, 2012 compared to the same period in 2011. The increase/decrease in fair value of the derivative liabilities has been recognized as other expense/income.

Net loss

We reported a net loss of $1,114,576 for the year ended December 31, 2012 as compared to a net loss of $1,339,648 for the year ended December 31, 2011.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At December 31, 2012, we had a cash balance of $2,951. Our working capital deficit is $2,171,364 at December 31, 2012.

We reported a net decrease in cash for the year ended December 31, 2012 of $4,297. While we currently have no material commitments for capital expenditures, at December 31, 2012 we owed approximately $1,059,345 under various notes payable. During the year ended December 31, 2012, we have raised net proceeds of $506, 955 through the sale of our securities and $18,000 from debts. We do not presently have any external sources of working capital.

At December 31, 2012 we owed Mr. and Mrs. Roger Ralston, executive officers and directors of our company $532,839 for amounts they have advanced to us for working capital. Of this amount, $32,091 and $8,119 is owed to Mr. Roger Ralston and Mrs. Michele Ralston, respectively are short-term and non-interest bearing loans. The Company had accrued salaries payable to the Chief Executive Officer and a Principal Officer of the Company as of December 31, 2011 totaling $785,267 and was included in accrued expenses. During the quarter ended June 30, 2012 the Company paid accrued salaries to the CEO in the amount of $379,281.

During the quarter ended June 30, 2012, the Company issued notes payable with an interest rate of 3% to the CFO amounting to $429,439 related to the accrued salaries. As of December 31, 2012 the balance on the notes payable related to the accrued salaries remained at $429,439.

The Company also has a due on demand note payable with an interest rate of 12% as of December 31, 2012 totaling $10,843 payable to Mr. Ralston and a due on demand note payable with an interest rate of 3% as of December 31, 2012 totaling $52,347 payable to Mrs. Ralston.

Accrued liabilities were $914,552 as of December 31, 2012 which consisted of the following:

Accrued salaries to our officers and certain employees amounting to $275,007
Accrued sales tax of $22,566
Accrued general and administrative expenses of $16,755
Accrued commissions to certain employees amounting to $60,590
Accrued payroll liabilities including penalties of $227,060
Lease abandonment charges of $164,375
Accrued interest of $148,199

Our net sales are not sufficient to fund our operating expenses. We will need to raise significant additional capital to fund our operating expenses, pay our obligations, and grow our company. We reported a net loss of $1,114,576 during the year ended December 31, 2012. At December 31, 2012 we had a working capital deficit of $2,171,364. We will need to raise significant additional capital to fund our operating expenses, pay our obligations, and grow our company. We do not anticipate we will be profitable in 2013. Therefore our operations will be dependent on our ability to secure additional financing. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. The trading price of our common stock and a downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities.

Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our marketing and development plans and possibly cease our operations. Furthermore we have debt obligations, which must be satisfied. If we are successful in securing additional working capital, we intend to increase our marketing efforts to grow our revenues. We do not presently have any firm commitments for any additional capital and our financial condition as well as the uncertainty in the capital markets may make our ability to secure this capital difficult. There are no assurances that we will be able to continue our business, and we may be forced to cease operations in which event investors could lose their entire investment in our company. Included in our Notes to the financial statements for the year ended December 31, 2012 is a discussion regarding Going Concern.

Operating activities

Net cash flows used in operating activities for the year ended December 31, 2012 amounted to $328,457 and was primarily attributable to our net losses of $1,114,576, offset by depreciation of $300, bad debt expense of $40,948, amortization of debt issuance cost and debt discount of $17,064, fair value of subsidiary's common stock issued for services of $437,125, add back of change in fair value of derivative liability of $22,417 and total changes in other assets and liabilities of $313,099. Net cash flows used in operating activities for the year ended December 31, 2011 amounted to $420,299 and was primarily attributable to our net losses of $1,339,648, offset by depreciation of $300, lease abandonment charges of $14,947, bad debt expense of $7,987, amortization of debt issuance cost and debt discount of $61,081, fair value of subsidiary's common stock issued for services of $475,000, derivative liability expense of $61,978, add back of change in fair value of derivative liability of $10,083 and total changes in other assets and liabilities of $308,139.

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Financing activities

Net cash flows provided by financing activities was $324,160 for the year ended December 31, 2012. We received net proceeds from sale of stock of $506,955, offset by payments due to related parties of $264,229, proceeds from short term advances of $102,434 and net payments of loans and notes payable of $21,000. Net cash flows provided by financing activities was $450,259 for the year ended December 31, 2011. We received net proceeds from sale of stock of $98,373, net proceeds from sale of subsidiary's common stock of $192,665 and net proceeds due to related parties of $129,221.

Contractual Obligations

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

The following tables summarize our contractual obligations as of December 31, 2012, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

		Payments Due by Period				
		Total	Less than 1 year	1-3 Years	4-5 Years	5 Years +
Contractual Obligations :						
Short term loans- unrelated party	$	110,136	110,136	—	—	—
Short term loans- related party	$	40,210	40,210	—	—	—
Operating Leases	$	164,375	164,375	—	—	—
Purchase Obligations	$	—	—	—	—	—
Total Contractual Obligations:	$	314,721	314,721	—	—	—

Off-balance Sheet Arrangements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See our Financial Statements beginning on page F-1 of this annual report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of December 31, 2011, the end of the year covered by this report, our management concluded its evaluation of the effectiveness of the design and operation of our disclosure controls and procedures.

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Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Our management does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls 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.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our chief executive officer and our chief financial officer. Based on that evaluation, Roger Ralston, our Chief Executive Officer, and Michele Ralston, our Chief Financial Officer concluded that because of the material weaknesses in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2012.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. During our assessment of the effectiveness of internal control over financial reporting as of December 31, 2012, management identified material weaknesses related to (i) our internal audit functions and (ii) the absence of an Audit Committee as of December 31, 2012, (iii) a lack of segregation of duties within accounting functions, (iiii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (iiiii) ineffective controls over period end financial close and reporting processes. Therefore, our internal controls over financial reporting were not effective as of December 31, 2012.

Management has determined that our internal audit function is significantly deficient due to insufficient qualified resources to perform internal audit functions. Finally, management determined that the lack of an Audit Committee of our Board of Directors also contributed to insufficient oversight of our accounting and audit functions.

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

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

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Auditor Attestation

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal year 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below is information concerning our executive officers and directors:

Name	Age	Position
Roger Ralston	44	Chief Executive Officer and Chairman of the Board of Directors
Michele Ralston	43	Acting Chief Financial Officer, Secretary, Treasurer and Director

Roger Ralston has served as our Chairman and Chief Executive Officer since our inception in October 2006. He has also served as Chief Executive Officer of DirectView Video since March 2003, Chief Executive Officer of DirectView Security since July 2007 and Chief Executive Officer of Ralston Communications since December 2002. Mr. Ralston is the spouse of Michele Ralston.

Michele Ralston has served as our Acting Chief Financial Officer, Secretary and Treasurer and a member of our Board of Directors since inception in October 2006. From May 2003 until October 2006 she served as our Chairman of the Board, Secretary and Treasurer of DirectView, Inc., a predecessor company. Ms. Ralston is the spouse of Mr. Ralston.

There are no family relationships between any of the executive officers and directors, except as set forth above. Each director is elected at our annual meeting of stockholders and holds office until the next annual meeting of stockholders, or until his successor is elected and qualified.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common shares and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% stockholders are required by the Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of the copies of such forms furnished to us during the year ended December 31, 2012, none of our executive officers, directors and persons holding greater than 10% of our issued and outstanding stock have failed to file the required reports in a timely manner.

Code of Ethics

In July 2009 our Board of Directors adopted a Code of Ethics which applies to our Chief Executive Officer, Chief Financial Officer, directors and employees of the Company. We have filed a copy of the Financial Code of Ethics with the Securities and Exchange Commission as an exhibit to this report.

Committees of our Board of Directors

Our Board of Directors has not established any committees, including an Audit Committee, a Compensation Committee or a Nominating Committee, any committee performing a similar function. The functions of those committees are being undertaken by the entire board as a whole.

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We do not have a policy regarding the consideration of any director candidates which may be recommended by our stockholders, including the minimum qualifications for director candidates, nor has our Board of Directors established a process for identifying and evaluating director nominees. We have not adopted a policy regarding the handling of any potential recommendation of director candidates by our stockholders, including the procedures to be followed. Our Board has not considered or adopted any of these policies as we have never received a recommendation from any stockholder for any candidate to serve on our Board of Directors. Given our relative size and lack of directors and officers insurance coverage, we do not anticipate that any of our stockholders will make such a recommendation in the near future. While there have been no nominations of additional directors proposed, in the event such a proposal is made, all members of our Board will participate in the consideration of director nominees.

None of our directors is an "audit committee financial expert" within the meaning of Item 401(e) of Regulation S-X. In general, an "audit committee financial expert" is an individual member of the audit committee or Board of Directors who:

- understands generally accepted accounting principles and financial statements,
- is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves,
- has experience preparing, auditing, analyzing or evaluating financial statements comparable to the breadth and complexity to our financial statements,
- understands internal controls over financial reporting, and
- understands audit committee functions.

We have relied upon the personal relationships of our CEO to attract individuals to our Board of Directors. While we would prefer that one or more of our directors be an audit committee financial expert, the individuals whom we have been able to attract to our Board do not have the requisite professional backgrounds. It is our desire to expand our Board of Directors during 2012 to include additional independent directors as well as one or more directors who are considered audit committee financial experts. At that time, we intend to establish an Audit Committee of our Board of Directors. Our securities are not quoted on an exchange, however, that has requirements that a majority of our Board members be independent and we are not currently otherwise subject to any law, rule or regulation requiring that all or any portion of our Board of Directors include "independent" directors, nor are we required to establish or maintain an Audit Committee or other committee of our Board of Directors. We are uncertain, however, as to our ability to attract qualified independent director candidates to serve on our Board of Directors given that we do not maintain directors and officers liability insurance.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes all compensation recorded by us in each of the last two completed fiscal years for our principal executive officer, each other executive officer serving as such whose annual compensation exceeded $100,000 and up to two additional individuals for whom disclosure would have been made in this table but for the fact that the individual was not serving as an executive officer of our company at December 31, 2012.

SUMMARY COMPENSATION TABLE

	Year	Salary	Bonus	Stock	Option		All	Total

Name and principal position (a)	(b)	($) (c)	($) (d)	Awards ($) (e)	Awards ($) (f)	Non-Equity Incentive Plan Compen-sation ($) (g)	Non-qualified Deferred Compen-sation Earnings ($) (h)	Other Compen-sation ($) (i)	($) (j)
Roger Ralston (1)	2012	288,462	-	-	-	-	-	24,000	312,462
	2011	250,000	-	-	-	-	-	16,209	266,209
Michele Ralston	2012	75,000	-	-	-	-	-	-	75,000
	2011	72,000	-	-	-	-	-	-	72,000

(1) Accrued but unpaid compensation due to Mr. Ralston during fiscal 2012 and 2011 amounted to approximately $286,400, and $66,000 respectively which are included in the above table.
(2) Accrued but unpaid compensation due to Mrs. Ralston during fiscal 2012 and 2011 amounted to approximately $75,000 and $72,000, respectively which are included in the above table.

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Employment agreement with Mr. Ralston

On September 1, 2009, we entered into an employment agreement with Mr. Ralston to serve as our CEO and President. The term of this agreement shall be for a sixty-three month period. Mr. Ralston's present base salary is $150,000 per year, which shall increase by $50,000 each beginning of the year commencing on January 1, 2010 until the term of this agreement expires. During the Employment Term, Mr. Ralston shall be entitled to (i) four (4) weeks paid vacation per annum, (ii) an automobile allowance of $750 per month (pro rated) which shall increase at five percent (5%) per annum beginning on January 1, 2010 and each year thereafter, and (iii) receive a mobile phone allowance of $500 per month (pro rated) which shall increase five percent (5%) per annum beginning on January 1, 2010 and each year thereafter. Mr. Ralston is entitled to receive discretionary bonus compensation as determined by the board of directors from time to time. In addition, Mr. Ralston shall receive incentive compensation, as defined, computed on a calendar year beginning September 1, 2009. If Mr. Ralston's employment is terminated without cause, upon death or should he become disabled, Mr. Ralston will be entitled to all of his compensation, benefits and severance until the date of termination. As defined in the agreement, Mr. Ralston is restricted from competing with us for 1 year following such termination.

How Mr. Ralston's compensation is determined

Mr. Ralston, who has served as our CEO since October 2006, entered into an employment agreement with our company on September 1, 2009. His compensation is arbitrarily determined by our Board of Directors of which he is a member. The Board considers revenues, net income as well as general performance in determining the compensation due Mr. Ralston. The Board of Directors did not consult with any experts or other third parties in fixing the amount of Mr. Ralston's compensation. Effective on September 1, 2010, Mr. Ralston's compensation package included a base salary of $200,000 and company provided for automobile expense and health care benefits. During fiscal 2012, Mr. Ralston's compensation package included a base salary of $288,000 and company provided for automobile expense and health care benefits. The amount of compensation payable to Mr. Ralston can be increased at any time upon the determination of the Board of Directors.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

OPTION AWARDS						STOCK AWARDS			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) (j)

Roger Ralston	0	0	0	0	0	0	0	0	0

Director Compensation

We have not established standard compensation arrangements for our directors and the compensation, if any, payable to each individual for their service on our Board will be determined from time to time by our Board of Directors based upon the amount of time expended by each of the directors on our behalf. No member of our Board of Directors received compensation for their services for the fiscal year ended December 31, 2012.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

At April 16, 2013 we had 153,119,278 shares of our common stock issued and outstanding. The following table sets forth information regarding the beneficial ownership of our common stock as of April 16, 2013 by:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- our named executive officers, directors and director nominees as a group.

Unless otherwise indicated, the business address of each person listed is in care of 21218 Saint Andrews Blvd., suite 323, Boca Raton, FL 33433. The percentages in the table have been calculated on the basis of treating as outstanding for a particular person, all shares of our common stock outstanding on that date and all shares of our common stock issuable to that holder in the event of exercise of outstanding options, warrants, rights or conversion privileges owned by that person at that date which are exercisable within 60 days of that date. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	% of Class	
Roger Ralston (1)	62,100,000	41.4	%
Scott Burns	100,000	*	
Michele Ralston	250,000	*	
All officers and directors as a group (three persons)	62,450,000	41.6	%

* represents less than 1%

(1) Mr. Ralston has pledged 500,000 shares of our common stock owned by him to China Discovery Investors, LTD. to secure a debt obligation to such party.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

During 2007 and 2006, the Company's principal officer loaned $39,436 and $14,400, respectively to the Company for working capital purposes. This debt carries 3% interest per annum and matures in July 2010. The amount due to such related party including accrued interest at December 31, 2012 and December 31, 2011 was $53,925 and $52,347, respectively. As of December 31, 2012 and December 31, 2011, this note was reflected as due to related party. In March 2012, the Company and the principal officer of the Company agreed to change the term of this promissory note into a demand note.

In March 2009, the Company issued a promissory note amounting to $20,000 to the Chief Executive Officer of the Company. This note is payable in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and was payable in September 2009. In October 2009, the Company and the Chief Executive Officer of the Company agreed to change the term of this promissory note into a demand note. During 2012, the Company repaid the Chief Executive Officer the total balance of this note.

In May 2009, the Company issued a promissory note amounting $5,000 to the Chief Executive Officer of the Company. This note is payable in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and shall be payable in November 2009. In November 2009, the Company and the Chief Executive Officer of the Company agreed to change the term of this promissory note into a demand note. During 2012, the Company repaid the Chief Executive Officer the total balance of this note.

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In June 2009, the Company issued a promissory note amounting $22,000 to the Chief Executive Officer of the Company. This note is payable either in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and shall be payable in June 2010. During 2012, the Company repaid the Chief Executive Officer $11,157 related to this note leaving the balance of the note at $10,843 as of December 31, 2012.

Accrued interest on the notes payable to the Chief Executive Officer of the Company amounted to $18,799 and $14,893 as of December 31, 2012 and December 31, 2011, respectively and is included in accrued expenses in the Company's balance sheet.

The Chief Executive Officer of the Company, from time to time, provided advances to the Company for operating expenses. At December 31, 2012 and December 31, 2011, the Company had a payable to the Chief Executive Officer of the Company amounting to $32,091 and $97,824, respectively. These advances are short-term in nature and non-interest bearing.

The Chief Financial Officer of the Company, from time to time, provided advances to the Company for operating expenses. At December 31, 2012 and 2011, the Company had a payable to the Chief Financial Officer of the Company amounting to $8,119 and $8,869, respectively. These advances are short-term in nature and non-interest bearing.

The Company had accrued salaries payable to the Chief Executive Officer and a Principal Officer of the Company as of December 31, 2011 totaling $785,267 and was included in accrued expenses.

During the quarter ended June 30, 2012 the Company paid accrued salaries to the CEO in the amount of $379,281.

During the quarter ended June 30, 2012, the Company issued notes payable to the CFO amounting to $429,439 related to the accrued salaries. As of December 31, 2012 the balance on the notes payable related to the accrued salaries remained at $429,439.

Below is a summary of the accrued salaries due to our executive officers:

Name		December 31, 2012
Roger Ralston	$	288,412
Michele Ralston		75,000
Total	$	271,336

Director Independence

None of the members of our Board of Directors are "independent" within the meaning of FINRA Marketplace Rule 4200.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table sets forth the fees billed by our principal independent accountants for each of our last two fiscal years for the categories of services indicated.

Category	Year Ended December 31, 2012	2011
Audit Fees (1)	$ 25,000	$ 25,000
Audit Related Fees (2)	15,000	10,000
Tax Fees (3)	-	-
All Other Fees (4)	0	0

(1) Consists of fees billed for the audit of our annual financial statements, review of our Form 10-K and services that are normally provided by the accountant in connection with year end statutory and regulatory filings or engagements.

(2) Consists of fees billed for the review of our quarterly financial statements, review of our forms 10-Q and 8-K and services that are normally provided by the accountant in connection with non year end statutory and regulatory filings on engagements.

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(3) Consists of professional services rendered by a company aligned with our principal accountant for tax compliance, tax advice and tax planning.

(4) The services provided by our accountants within this category consisted of advice and other services relating to SEC matters, registration statement review, accounting issues and client conferences.

Our Board of Directors has adopted a procedure for pre-approval of all fees charged by our independent auditors. Under the procedure, the Board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the Board, or, in the period between meetings, by a designated member of Board. Any such approval by the designated member is disclosed to the entire Board at the next meeting. The audit and tax fees paid to the auditors with respect to fiscal year 2012 were pre-approved by the entire Board of Directors.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibit Number	Description
3.1	Articles of Incorporation as filed with the State of Nevada
3.2	Amended Articles of Incorporation as filed with the Secretary of Nevada
3.3	Bylaws of the company
4.1	Form of common stock certificate
4.2	Promissory note in the principal amount of $53,837 to Michele Ralston due July 1, 2010
4.3	Promissory note in the principal amount of $20,000 to Roger Ralston due September 30, 2009
4.4	Promissory note in the principal amount of $5,000 to Roger Ralston due November 6, 2009
10.1	Subsidiary Stock Purchase Agreement dated August 31, 2006 between DirectView, Inc. and DirectView Holdings, Inc.
10.2	Lease for principal executive offices
10.3	Employment Agreement with Roger Ralston
14.1	Code of Ethics
21.1	Subsidiaries of the registrant
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

*Filed herein

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIRECTVIEW HOLDINGS, INC.

May 15, 2013	By:	/s/ Roger Ralston Roger Ralston, Chief Executive Officer and Director Title

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Roger Ralston Roger Ralston	Chief Executive Officer and Director	May 15, 2013
/s/ Michele Ralston Michele Ralston	Chief Financial Officer, principal accounting officer	May 15, 2013

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders
Directview Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Directview Holdings, Inc. and Subsidiaries as of December 31, 2012, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Directview Holdings, Inc. and Subsidiaries as of December 31, 2012, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements and as more fully described in Note 2, at December 31, 2012 the Company had an accumulated deficit of $15,524,502 and a working capital deficiency of $2,171,364 and for the year ended December 31, 2012 incurred a net loss in the amount of $1,114,576 and had negative cash flows from operations of $328,457 all of which raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ D’Arelli Pruzansky, P.A.

Certified Public Accountants

Boca Raton, Florida
May 13, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
DirectView Holdings, Inc.
Boca Raton, Florida

We have audited the accompanying consolidated balance sheet of DirectView Holdings, Inc., and Subsidiaries for the year ended December 31, 2011 and the related consolidated statement of operations, stockholders' deficit and cash flows for the year ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DirectView Holdings, Inc., and Subsidiaries as of December 31, 2011 and the results of its operations and its cash flows for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered losses from operations, has an accumulated stockholders' deficit and has a negative working capital all of which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sherb & Co., LLP

Certified Public Accountants
Boca Raton, Florida
April 19, 2012

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash	$2,951	$7,248
Accounts Receivable - Net	27,735	41,144
Other Current Assets	7,241	20,231
Total Current Assets	37,927	68,623
PROPERTY AND EQUIPMENT - Net	153	453
OTHER ASSETS	100	300
Total Assets	$38,180	$69,376
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Convertible Promissory Notes, net of debt discounts	$51,750	$67,962
Short Term Advances	110,136	-
Notes Payable	198,792	82,000
Accounts Payable	363,253	421,790
Accrued Expenses	914,552	1,257,764
Deferred Revenue	-	32
Due to Related Parties	532,839	261,334
Derivative Liability	37,969	71,864
Total Current Liabilities	2,209,291	2,162,746
Total Liabilities	2,209,291	2,162,746
STOCKHOLDERS' DEFICIT:		
Preferred Stock ($0.0001 Par Value; 5,000,000 Shares Authorized; None Issued and Outstanding)	-	-
Common Stock ($0.0001 Par Value; 500,000,000 Shares Authorized; 164,359,134 and 76,102,582 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively)	16,436	7,610
Additional Paid-in Capital	13,337,703	12,309,694
Accumulated Deficit	(15,524,502)	(14,445,669)
Total DirectView Holdings, Inc. Stockholders' Deficit	(2,170,363)	(2,128,365)
Non-Controlling Interest in Subsidiary	(748)	34,995
Total Stockholders' Deficit	(2,171,111)	(2,093,370)

Total Liabilities and Stockholders' Deficit	$38,180	$69,376

See accompanying notes to consolidated financial statements.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2012	2011
NET SALES:		
Sales of Product	$78,118	$138,343
Service	44,145	122,386
Total Net Sales	122,263	260,729
COST OF SALES:		
Cost of Product	37,984	83,149
Cost of Service	47,500	57,453
Total Cost of Sales	85,484	140,602
GROSS PROFIT	36,779	120,127
OPERATING EXPENSES:		
Depreciation	300	300
Bad Debt Expenses	40,948	7,983
Compensation and Related Taxes(Includes Stock-based Compensation of $437,125 and $475,000)	871,719	942,047
Other Selling, General and Administrative	191,263	312,581
Total Operating Expenses	1,104,230	1,262,911
LOSS FROM OPERATIONS	(1,067,451)	(1,142,784)
OTHER INCOME (EXPENSES):		
Other Income	22,876	10,430
Change in fair value of derivative liabilities	22,416	(51,895)
Other Expense	-	554
Interest Expense	(92,417)	(155,953)
Total Other (Expense) Income	(47,125)	(196,864)
NET LOSS	(1,114,576)	(1,339,648)
Less: Net (Gain) Loss Attributable to Non-Controlling Interest	35,743	177,556
Net Loss Attributable to DirectView Holdings, Inc.	$(1,078,833)	$(1,162,092)
NET LOSS PER COMMON SHARE:		
Basic and Diluted	$(0.01)	$(0.02)

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - Basic and Diluted	125,019,910	74,701,946

See accompanying notes to consolidated financial statements.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2012 and 2011

	Common Stock $0.0001 Par Value		Additional	Accumulated	Non-Controlling	Total Stockholders'
	Shares	Amount	Paid-in Capital	Deficit	Interest	Deficit
Balance at December 31, 2010	72,666,840	$7,267	$11,637,007	$(13,294,711)	$ -	$(1,650,437)
Issuance of Common Stock for Cash, net of offering costs	1,202,718	120	98,253			98,373
Issuance of Common Stock in connection with the conversion of convertible promissory notes	1,633,024	163	39,837			40,000
Issuance of Subsidiary's common stock for services			323,000		152,000	475,000
Sale of Subsidiary's Common stock			120,980		71,685	192,665
Beginning Accumulated Deficit of Subsidiary attributtable to Non-controlling Interest				11,134	(11,134)	-
Issuance of Common Stock in connection with loans payable - related party	600,000	60	29,940			30,000
Beneficial conversion on convertible notes payables			23,534			23,534

Derivative liability reclassified to equity			37,143			37,143
Net loss for the year				(1,162,092)	(177,556)	(1,339,648)
Balance at December 31, 2011	76,102,582	7,610	12,309,694	(14,445,669)	34,995	(2,093,370)
Issuance of Common Stock in connection with the conversion of promissory notes	13,600,521	1,360	75,178	-	-	76,538
Issuance of Common Stock for cash	36,666,175	3,667	289,691			293,358
Issuance of Common Stock for Services	23,750,000	2,375	434,750	-		437,125
Derivative liability reclassified to equity			1,190	-		1,190
Beneficial conversion on convertible promissory notes			15,026	-		15,026
Pending Issuance of Common Stock, net of costs	14,239,856	1,424	212,174			213,598
Net loss for the year	-	-	-	(1,078,833)	(35,743)	(1,114,576)
Balance at December 31, 2012	164,359,134	$16,436	$ 13,337,703	$(15,524,502)	$ (748)	$ (2,171,111)

See accompanying notes to consolidated financial statements.

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

	For the Years Ended December 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,114,576)	$ (1,339,648)
Adjustments to Reconcile Net Loss to Net Cash Flows		
Used in Operating Activities:		
Depreciation	300	300
Fair value of common stock issued as interest expense		30,000
Fair value of common stock issued for services	437,125	475,000
Change in fair value of derivative liability	(22,416)	51,895
Amortization of debt issuance costs	-	5,027
Amortization of debt discount	17,064	61,081
Lease abandonment charges	-	14,947
Bad debt expenses	40,948	7,987
(Increase) Decrease in:		
Accounts receivable	(27,539)	(2,510)
Other current assets	15,240	(5,406)
Other assets	200	-
Increase (Decrease) in:		
Accounts payable	(58,538)	192,603
Accrued expenses	383,767	88,913
Deferred revenue	(32)	(487)
Net Cash Flows Used in Operating Activities	(328,457)	(420,299)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	15,000	-
Repayments of note payable	(36,000)	-
Net proceeds from sale of subsidiary's common stock	-	192,665
Net proceeds from sale of common stock	506,955	98,373
Net proceeds from short term advances	102,434	-
Due to related parties	(264,229)	129,221
Net Cash Flows Provided by Financing Activities	324,160	420,259
Net Decrease in Cash	(4,297)	(40)
Cash - Beginning of Year	7,248	7,288
Cash - End of Year	$ 2,951	$ 7,248
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		

Interest	$	-	$	-
Income Taxes	$	-	$	-
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Derivative liability reclassified to equity	$	1,190	$	37,143
Issuance of common stock in connection with conversion of promissory note	$	76,538	$	40,000
Beneficial conversion on convertible promissory notes	$	15,026	$	23,534

See accompanying notes to consolidated financial statements.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

Organization

DirectView Holdings, Inc., (the "Company"), was incorporated in the State of Delaware on October 2, 2006. On July 6, 2012 the Company changed its domicile from Delaware and incorporated in the state of Nevada.

The Company has the following four subsidiaries: DirectView Video Technologies Inc., DirectView Security Systems Inc., Ralston Communication Services Inc., and Meeting Technologies Inc.

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

Basis of Presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The consolidated financial statements include the accounts of the Company, three wholly-owned subsidiaries, and a subsidiary with a majority voting interest of approximately 58% (the other 42% is owned by non-controlling interests with 23% owned by the Company's CEO who is a majority shareholder of the Parent Company) as of December 31, 2012, and 100% prior to January 2011.

In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings are reduced by the portion of the net earnings of subsidiaries applicable to non-controlling interests.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

Use of Estimates

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

Non-controlling Interests in Consolidated Financial Statements

In December 2007, the FASB issued ASC 810-10-65, "Non-controlling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51," ("SFAS No. 160"). This statement clarifies that a non-controlling (minority) interest in a subsidiary is an ownership interest in the entity that should be reported as equity in the consolidated financial statements. It also requires consolidated net income to include the amounts attributable to both the parent and non-controlling interest, with disclosure on the face of the consolidated income statement of the amounts attributed to the parent and to the non-controlling interest. This statement is effective for fiscal years beginning after December 15, 2008, with presentation and disclosure requirements applied retrospectively to comparative financial statements. In accordance with ASC 810-10-45-21, the losses attributable to the parent and the non-controlling interest in subsidiary may exceed their interests in the subsidiary's equity. The excess and any further losses attributable to the parent and the non-controlling interest shall be attributed to those interests even if that attribution results in a deficit non-controlling interest balance. As of December 31, 2012, the Company recorded a non-controlling interest of $748 in connection with our majority-owned subsidiary, DirectView Security Systems Inc. as reflected in the accompanying consolidated balance sheets.

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

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

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

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

Cash and cash equivalents include money market securities that are considered to be highly liquid and easily tradable as of December 31, 2012 and 2011. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

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

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

Accounts Receivable

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company uses specific identification of accounts to reserve possible uncollectible receivables. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2012 and December 31, 2011, management determined that an allowance is necessary which amounted to $99,215 and $147,263, respectively. During the year ended December 31, 2012 and 2011, the Company wrote-off $40,948 and $7,983, respectively of uncollectible accounts receivable.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

Advertising

Advertising is expensed as incurred. Advertising expenses for the years ended December 31, 2012 and 2011 were deemed to be not material.

Shipping costs

Shipping costs are included in other selling, general and administrative expenses and was deemed to be not material for the year ended December 31, 2012 and 2011, respectively.

Inventories

Inventories, consisting of finished goods related to our products are stated at the lower of cost or market utilizing the first-in, first-out method. There was no inventory at December 31, 2012 and 2011.

Property and equipment

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

Impairment of Long-Lived Assets

Long-Lived Assets of the Company are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable, pursuant to guidance established in ASC 360-10-35-15, “Impairment or Disposal of Long-Lived Assets”. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset’s estimated fair value and its book value. The Company did not consider it necessary to record any impairment charges during the year ended December 31, 2012 and 2011.

Income Taxes

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

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

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

Stock Based Compensation

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

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

Revenue recognition

The Company follows the guidance of the FASB ASC 605-10-S99 "Revenue Recognition Overall – SEC Materials. The Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and 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. Delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of undelivered items, and if delivery of undelivered items is probable and substantially in the Company's control.

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

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

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

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

Cost of sales includes cost of products and cost of service. Product cost includes the cost of products and freight costs. Cost of services includes labor and fuel expenses.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

Concentrations of Credit Risk and Major Customers

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

During the year ended December 31, 2012, four customers accounted for 83% of revenues. The following is a list of percentage of revenue generated by the four customers:

Customer 1	10%
Customer 2	11%
Customer 3	12%
Customer 4	50%

During the year ended December 31, 2011, four customers accounted for 68% of revenues. The following is a list of percentage of revenue generated by the four customers:

Customer 1	10%
Customer 2	10%
Customer 3	21%
Customer 4	27%

As of December 31, 2012, three customers accounted for 79% of total accounts receivable. The following is a list of percentage of accounts receivable owed by the three customers:

Customer 1	18%
Customer 2	28%
Customer 3	33%

As of December 31, 2011, one customer accounted for 27% of total accounts receivable.

Related Parties

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

Subsequent Events

For purposes of determining whether a post-balance sheet event should be evaluated to determine whether it has an effect on the financial statements for the year ended December 31, 2012, subsequent events were evaluated by the Company as of the date on which the consolidated financial statements for the year ended December 31, 2012 were available to be issued. The Company has concluded that all subsequent events have been properly disclosed.

Net Loss per Common Share

Net loss per common share is calculated in accordance with ASC Topic 260: Earnings Per Share (“ASC 260”). Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net earnings per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. At December 31, 2012, the Company had 14,192,599 shares equivalent issuable pursuant to embedded conversion features. At December 31, 2011, the Company has 6,034,483 shares equivalent issuable pursuant to embedded conversion features.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

Reclassification of Prior Year Balances

The presentation of certain prior year balances has been reclassified to conform to the current year presentation. Included is a reclassification from derivative expense to change in fair value of derivative liability of $61,978.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Update (ASU) No. 2012-02, Intangibles-Goodwill and Other (Topic 350)-Testing Indefinite-Lived Intangible Assets for Impairment. ASU 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30. If an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then no further action is required. If an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on the Company's financial statements.

In December 2011, the FASB issued FASB ASU No. 2011-11, Balance Sheet (Topic 210)-Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Entities are required to disclose both gross and net information about these instruments. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this ASU is not expected to have a material impact on the Company's financial statements.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU expands the presentation of changes in accumulated other comprehensive income. The new guidance requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the net income statement or as a separate disclosure in the notes. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The Company does not believe that the adoption of this ASU will have a significant impact on its consolidated financial position, results of operations or cash flows.

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

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 2 – GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements are prepared assuming the Company will continue as a going concern. At December 31, 2012, the Company had an accumulated deficit of approximately $15.5 million, a stockholders' deficit of approximately $2 million and a working capital deficiency of $2,171,364. Additionally, for the year ended December 31, 2012, the Company incurred net losses of $1,114,576 and had negative cash flows from operations in the amount of $328,457. These matters raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon increasing sales and obtaining additional capital and financing. During the year ended December 31, 2012, the Company received net proceeds from sale of stock of $506,955 and net proceeds from issuance of notes and loan payable of $81,434 for working capital purposes. Management intends to attempt to raise additional funds by way of a public or private offering. While the Company believes in the viability of its strategy to increase sales volume and in its ability to raise additional funds, there can be no assurances to that effect. The Company's limited financial resources have prevented the Company from aggressively advertising its products and services to achieve consumer recognition. The financial statements do not include adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Estimated life	December 31, 2012	December 31, 2011
Furniture and fixtures	3 years	$ 2,771	$ 2,771
Less: Accumulated depreciation		(2,618)	(2,318)
		$ 153	$ 453

For the year ended December 31, 2012 and 2011, depreciation expense amounted to $300 and $300, respectively.

NOTE 4 – NOTES PAYABLE

Senior secured promissory notes aggregating an original principal of $85,500 issued in 2008. These notes are payable either in cash or security equivalent at the option of the Company. The notes payable bear 8% interest per annum and are be payable on April 1, 2011. The principal and accrued interest is convertible at the option of the note holder into shares of our common stock at a conversion price of $0.50 per share. The balance of the senior secured promissory note amounted to $17,000 as of December 31, 2012 and December 31, 2011. The notes are in default at December 31, 2012. The Company is currently in negotiations with the note holder to extend the maturity date once again.

During fiscal 2009, the Company reclassified $45,000 3% unsecured notes payable from long-term to short-term. The maturity of these notes payable ranged from January 2010 to April 2010 and the notes are in default at December 31, 2012. The Company is currently in negotiations with the note holder to extend the maturity date and has accrued 12% interest per annum based on the default provision until such time this note is extended or settled.

In November 2009, the Company issued unsecured notes payable of $20,000. The note is payable either in cash or security equivalent at the option of the Company. In the event the Company repays this note in shares of the

Company's common stock the rate is $0.05 per share. The note payable bears 6% interest per annum and matured in May 2010. The Company may prepay these notes in cash or equivalent securities at any time without penalty. In January 2010, this note was satisfied by issuing a note payable to another unrelated party with the same terms and conditions except for its maturity date changed to January 2011. The note is in default as of December 31, 2012.

The Company is currently in negotiations with the note holder to extend the maturity date and has accrued 12% interest per annum based on the default provision until such time this note is extended or settled. The balance of these unsecured notes payable is $20,000 as of December 31, 2012 and December 31, 2011.

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

During the year ended December 31, 2012, the Company entered into demand notes with Regal Capital (formerly a related party) totaling $116,792 bearing interest at 12% per annum.

As of December 31, 2012 and December 31, 2011, notes payable - amounted to $198,792 and $82,000, respectively.

Accrued interest on the notes payable amounted to approximately $112,649 and $22,000 as of December 31, 2012 and December 31, 2011, respectively and is included in accrued expenses.

NOTE 5 – SHORT TERM ADVANCES

During the year ended December 31, 2012, an unrelated party advanced a total of $110,136 to the Company. This advance is payable in cash and is non interest bearing and due on demand.

NOTE 6 – CONVERTIBLE PROMISSORY NOTES

In May 2011, the Company issued a convertible promissory note amounting to $32,500. The note bears interest at 8% per annum and matures 9 months after issuance. The note is convertible at the option of the holder into shares of common stock beginning on the date which is 180 days after the date of this note, at a conversion price equal to 58% of the average of three lowest trading prices during the 10 trading day period of the Company's common stock prior to the date of conversion. The Company paid debt issuance cost of $2,500 in connection with this note payable and is being amortized over the term of the note.

In accordance with ASC 470-20-25, the convertible note was considered to have an embedded beneficial conversion feature (BCF) because the effective conversion price was less than the fair value of the Company's common stock. Therefore the portion of proceeds allocated to the convertible debentures of $79,655 was determined to be the value of the beneficial conversion feature and was recorded as a debt discount and is being amortized over the term of the note. The Company evaluated whether or not the convertible note contains embedded conversion options, which meet the definition of derivatives under ASC 815-15 "Accounting for Derivative Instruments and Hedging Activities" and related interpretations. The Company concluded that these convertible notes are considered a derivative as of December 31, 2012 and 2011.

As of December 31, 2012 and December 31, 2011, accrued interest including default interest amounted to $4,016 and $69,462, respectively.

On October 10, 2011, the Company received a letter from legal counsel of a certain note holder which states that the Company was in default under series of 8% convertible promissory notes issued in September 2010 and December 2010 that matured in June 2011 and September 2011, respectively. The letter also indicated that due to the cross default provision contained in the note agreements, all of the notes for a total amount of $70,000, including the convertible note issued in May 2011, are subject to default interest. The Company has accrued a total default interest of $35,000 as of March 31, 2011.

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

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

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

On February 17, 2012, the Company issued 983,607 shares in connection with the conversion of the convertible promissory note issued in September 2010 at the contractual conversion for a total of $10,000.

On June 1, 2012 convertible promissory notes of $60,000 were assigned by the note holder to a third party and included the note balance and accrued interest amounting to $80,750. Upon the assignment and conversion of this note we recorded an additional beneficial conversion feature of $15,026 which was expensed immediately as interest relating to the new note for accrued interest. Subsequent to the assignment of the note, the note holders converted $47,000 of such notes into 10,047,470 shares of the Company’s common stock.

In July 2012 the Company converted $9,250 in accrued interest related to a convertible promissory note into 2,569,444 shares of the Company’s common stock.

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In September 2012, the Company issued a convertible promissory note for $30,000, of which only $18,000 has been funded. The terms of this note is identical to those outlined above. As with previous notes, this note is not convertible until 180 days subsequent to its issuance.

Convertible promissory note consisted of the following:

	December 31, 2012	December 31, 2011
Secured convertible promissory note	$ 51,750	$ 70,000
Less: debt discount	(-)	(2,038)
Secured convertible promissory note – net	$ 51,750	$ 67,962

As of December 31, 2012 and 2011, amortization of debt discount amounted to $17,064 and $77,616, respectively, and is included in interest expense.

NOTE 7 – DERIVATIVE LIABILITY

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

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

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

In connection with the issuance of the 8% convertible promissory note, the Company has determined that the terms of the convertible note issued in May 2011 includes a provision whereby the conversion price equals 58% of the average of three lowest trading prices during the 10 trading day period of the Company's common stock prior to the date of conversion. Accordingly, the convertible instrument is accounted for as a derivative liability as of December 31, 2012 (after 180 days from the date of issuance) and adjusted to fair value through earnings at each reporting date. The Company has recognized a derivative liability of $37,969 as of December 31, 2012. The gain resulting from the decrease in fair value of this convertible instrument was $22,416 for the year ended December 31, 2012. Additionally, during the year ended December 31, 2011, the Company has reclassified $37,143 of derivative liability to additional paid in capital related to the partial conversion of the convertible promissory note issued in September 2010.

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The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3) from January 1, 2012 to December 31, 2012:

		Conversion feature derivative liability
Balance at January 1, 2012	$	71,864
Recognition of derivative liability		(55,121)
Conversion of derivative liability to equity		(1,190)
Change in fair value included in earnings		22,416
Balance at December 31, 2012	$	37,969

Total derivative liability at December 31, 2012 amounted to $37,969.

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

	December 31, 2012	
Expected volatility	195 % - 289	%
Expected term	3 months	
Risk-free interest rate	0.0 2% - 0.09	%
Expected dividend yield	0	%

NOTE 8 – STOCKHOLDERS' DEFICIT

Between January 2011 and September 2011, the Company received net proceeds of $98,373 from the sale of 1,202,718 shares of the Company's common stock. The Company paid finder's fee of approximately $10,000 in connection with this sale of stock.

In March 2011, the Company issued 287,356 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of $10,000. Pursuant to the terms of the convertible promissory notes the Company valued these common shares at the quoted market price of $0.04 per share.

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

In April 2011, the Company issued 431,034 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of $15,000. Pursuant to the terms of the convertible promissory notes the Company valued these common shares at the quoted market price of $0.04 per share.

In July 2011, the Company issued 914,634 shares in connection with the conversion of the convertible promissory note issued in September 2010 for a total amount of $15,000. Pursuant to the terms of the convertible promissory notes the Company valued these common shares at the quoted market price of $0.02 per share.

For the year ended December 31, 2011, the non-controlling interest portion of stockholders' deficit consists of the non-controlling interest related to our subsidiary, DirectView Security Systems, Inc. ("DVSS"). During the year ended December 31, 2011, the Company received net proceeds of $192,665 from the sales of 395,606 shares of DVSS common stock to certain investors. Additionally, DVSS issued 500,000 shares of its common stock to the Company's CEO whereby the fair value of such shares amounted to $475,000 or $0.95 per share based on the recent sales of DVSS common stock and was recorded as stock based compensation during the year ended December 31, 2011. The Company accounted for this transaction in accordance with ASC 810-10-65, "Non-controlling Interests in Consolidated Financial Statements". This FASB issued guidance requires that changes in a parent's ownership interest in a subsidiary in which the parent retains its controlling financial interest be accounted for as equity transactions. As of December 31, 2011, such sales of 395,606 shares of DVSS common stock and issuance of 500,000 DVSS shares of common stock accounted for approximately 42% (23% accounts for DVSS stocks owned by the Company's CEO who is a majority shareholder of the Parent Company) of the total issued and outstanding stocks. Consequently, the Company holds the remaining 58% interest in DVSS.

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In February 2012 the Company issued 983,607 shares of common stock upon conversion of $10,000 in principal pursuant to the terms of the convertible promissory note issued in September 2010.

In June 2012 the Company issued 10,047,470 shares of common stock upon conversion of $47,000 in principal pursuant to the terms of the reassignment of related convertible promissory notes on June 1, 2012.

During the quarter ended June 30, 2012, the Company received $213,598 from unrelated parties for the issuance of 14,239,856 shares of common stock. As of December 31, 2012 the shares of common stock are pending issuance.

During the quarter ended June 30, 2012, the Company sold 36,666,175 shares of its common stock for proceeds of $293,358.

During the quarter ended June 30, 2012 the Company issued 20,000,000 shares of common stock to its Chief Executive Officer for compensation. The shares were valued at $.02 per share or $400,000 based on quoted market price.

In July 2012 the Company issued 2,569,444 shares of common stock pursuant to the terms of the related convertible promissory note.

During the quarter ended September 30, 2012 the Company issued 3,000,000 shares of common stock to its Chief Executive Officer for compensation. The shares were valued at $.008 per share or $24,000 based on quoted market price.

During the quarter ended September 30, 2012 the Company issued 750,000 shares of common stock to an employee for compensation. The shares were valued at $.0175 per share or $13,125 based on quoted market price.

NOTE 9 – RELATED PARTY TRANSACTIONS

Due to Related Parties

During 2007 and 2006, the Company's principal officer loaned $39,436 and $14,400, respectively to the Company for working capital purposes. This debt carries 3% interest per annum and matures in July 2010. The amount due to such related party including accrued interest at December 31, 2012 and December 31, 2011 was $53,925 and $52,347, respectively. As of December 31, 2012 and December 31, 2011, this note was included in due to related party. In March 2012, the Company and the principal officer of the Company agreed to change the term of this promissory note into a demand note.

In March 2009, the Company issued a promissory note amounting to $20,000 to the Chief Executive Officer of the Company. This note is payable in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and was payable in September 2009. In October 2009, the Company and the Chief Executive Officer of the Company agreed to change the term of this promissory note into a demand note. During 2012, the Company repaid the Chief Executive Officer the total balance of this note.

In May 2009, the Company issued a promissory note amounting $5,000 to the Chief Executive Officer of the Company. This note is payable in cash or security equivalent at the option of the note holder. The note payable bears

12% interest per annum and shall be payable in November 2009. In November 2009, the Company and the Chief Executive Officer of the Company agreed to change the term of this promissory note into a demand note. During 2012, the Company repaid the Chief Executive Officer the total balance of this note.

In June 2009, the Company issued a promissory note amounting $22,000 to the Chief Executive Officer of the Company. This note is payable either in cash or security equivalent at the option of the note holder. The note payable bears 12% interest per annum and shall be payable in June 2010. During 2012, the Company repaid the Chief Executive Officer $11,157 related to this note leaving the balance of the note at $10,843 as of December 31, 2012.

Accrued interest on the notes payable to the Chief Executive Officer of the Company amounted to $18,799 and $14,893 as of December 31, 2012 and December 31, 2011, respectively and is included in accrued expenses in the Company's balance sheet.

The Chief Executive Officer of the Company, from time to time, provided advances to the Company for operating expenses. At December 31, 2012 and December 31, 2011, the Company had a payable to the Chief Executive Officer of the Company amounting to $32,091 and $97,824, respectively. These advances are included in Due to Related Parties on the Company's financial statements and are short-term in nature and non-interest bearing.

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The Chief Financial Officer of the Company, from time to time, provided advances to the Company for operating expenses. At December 31, 2012 and 2011, the Company had a payable to the Chief Financial Officer of the Company amounting to $8,119 and $4,900, respectively. These advances are included in Due to Related Parties on the Company's financial statements and are short-term in nature and non-interest bearing.

The Company had accrued salaries payable to the Chief Executive Officer and a Principal Officer of the Company as of December 31, 2011 totaling $785,267 which was included in accrued expenses. During the quarter ended June 30, 2012 the Company paid accrued salaries to the CEO in the amount of $379,281.

During the quarter ended June 30, 2012, the Company issued notes payable to the CFO amounting to $429,439 related to the accrued salaries. As of December 31, 2012 the balance on the notes payable related to the accrued salaries remained at $429,439.

NOTE 10 – ACCRUED PAYROLL TAXES

As of December 31, 2012 and 2011, the Company recorded a liability related to unpaid payroll taxes of $227,060 and $189,359. These amounts including interest and penalties related to years ended December 31, 2007 through December 31, 2010. Such amount has been included in accrued expenses in the accompanying consolidated financial statements.

NOTE 11 – INCOME TAXES

The Company accounts for income taxes under ASC Topic 740: Income Taxes which requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards. ASC Topic 740 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. The Company has a net operating loss carry forward for tax purposes totaling approximately $3,686,000 at December 31, 2012, expiring through the year 2032. Internal Revenue Code Section 382 places a limitation on the amount of taxable income that can be offset by carry forwards after certain ownership shifts. The Company last file an income tax return for year ended December 31, 2010.

The Company last filed an income tax return for the year ended December 31, 2010.

The table below summarizes the differences between the Company's effective tax rate and the statutory federal rate as follows for the year ended December 31, 2012 and 2011:

	2012	2011
Tax benefit computed at "expected" statutory rate	$ (390,000)	$ (469,000)
State income taxes, net of benefit	(40,000)	(54,000)
Stock based compensation and other permanent differences	220,000	46,000
Increase in valuation allowance	210,000	520,000
Net income tax benefit	$ -	$ -

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Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences, which give rise to a net deferred tax asset is as follows:

	December 31, 2012	December 31, 2011
Deferred tax assets:		
Net operating loss carryforward	$ 1,419,000	$ 1,200,000
Accrued lease abandonment costs	62,000	62,000
Allowance for doubtful account	38,000	57,000
Accrued salaries	293,000	283,000
Total Deferred tax assets	1,812,000	1,602,000
Less: Valuation allowance	(1,812,000)	(1,602,000)
	$ -	$ -

After consideration of all the evidence, both positive and negative, management has recorded a full valuation allowance at December 31, 2012 and 2011, due to the uncertainty of realizing the deferred income tax assets. The valuation allowance was increased by $210,000.

NOTE 12 – SUBSEQUENT EVENTS

In March 2013 the Company issued 3 million shares of common stock in connection with the conversion of a note payable.