DIRECTVIEW HOLDINGS INC
Form 10-K
April 17, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2016**

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

Commission file number: **000-53741**

DIRECTVIEW HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**04-3053538**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

21218 Saint Andrews Blvd., Suite 323

Boca Raton, FL

(Address of principal executive offices)

(561) 750-9777

(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: None

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

Common Stock, $0.0001 par value

(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. Yes [ ] No [X]

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

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 [X] No [ ]

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

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 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. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer [ ] Non-accelerated filer [ ]

Accelerated filer [ ] Smaller reporting company [X]

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

The aggregate market value of registrant’s voting and non-voting common equity held by non-affiliates (as defined by Rule 12b-2 of the Exchange Act) computed by reference to the average bid and asked price of such common equity on June 30, 2016, was $322,602.42. As of April 13, 2017, the registrant has one class of common equity, and the number of shares issued and outstanding of such common equity was 997,794,385.

Documents Incorporated by Reference: None.

DIRECTVIEW HOLDINGS, INC.

FORM 10-K

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Various statements in this annual report on Form 10-K 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 annual report on Form 10-K 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 annual report on Form 10-K, 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 Nevada 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.

Corporate History

We were incorporated under the laws of the State of Delaware on October 6, 2006. In October 2006 we 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 from 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 March 14, 2014, the Board of Directors and the majority shareholders approved and ratified the Company’s reincorporation merger from Delaware to Nevada, amongst other corporate actions disclosed in the Company’s Information Statement on Schedule 14C filed with the Securities and Exchange Commission on April 8, 2014. In March of 2015, the Company completed a 1 for 30 reverse stock split of its common stock.

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 in 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.

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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 / web conferencing 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) security and surveillance, and (ii) video conferencing services. 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.

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

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

Security and Surveillance

We provide our customers with a range of 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 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. We offer a complete line of non-proprietary products including:

DVR Recorders and Cameras	Video Intercoms
NVR Recorders and IP Cameras	Laser and Video Beam Perimeter Security
Motion Detection and Thermal Imagery	Security Design and Consulting
Remote Control Device Management	Equipment Maintenance Service Plans
Access Control Solutions	

We have also developed customized software programs and applications to work with the products we offer to customers to enhance their convenience and capability. We have developed a mobile application which we call the "DirectView Security App" to enable full remote management of deployed surveillance devices including positioning cameras, setting recording parameters, and replay of selected video.

We target businesses of various sizes ranging from residential to large scale businesses. Our main markets can be divided into five categories which include:

- Transportation (Airports, Heliports, and Bus Terminals)
- Hospitality (Hotels, Golf Courses, and Bar/Restaurant)
- Industrial (Warehouse, Storage, and Manufacturing)
- Educational (Daycare, Private Schools, Learning Centers/Religious Organizations
- Residential (Condos/Co-ops, Property Management Companies, and Private Homes)

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/web conferencing 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.

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 security systems division focuses a majority of its sales and marketing efforts in various industries to 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**.**

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.

We provide our security and surveillance and 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. Our technical and training personnel periodically attend installation and service training sessions offered by various manufacturers to enhance their knowledge and expertise in the installation and maintenance of the systems.

Competition

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.

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.

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

In 2015, two customers, Hilton Hotel and JRM Construction accounted for revenues of $419,000 which is approximately 52% of our total consolidated revenues in 2015. In 2016, one customer accounted for 82,000 which is approximately 18% of our total consolidated revenues in 2016.

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.

Website

We maintain a website at www.directviewinc.com and www.directviewsecurity.com. Recently, the Company purchased the domain name www.directview.com which we intend to make our main website. The Company paid approximately $4,000 to obtain this website.

Intellectual Property

We do not have any intellectual property at this time.

Employees

We currently have nine employees which includes our two 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.

Item 1A. Risk Factors.

You should carefully consider the risks described below together with all of the other information included in this annual report on Form 10-K before making an investment decision with regard to our securities. The statements contained in or incorporated herein that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In that case, you may lose all or part of your investment.

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 $27,844,136 as of December 31, 2016. Our operations have been financed primarily through the issuance of equity and debt. For the year ended December 31, 2016, net loss and cash used in operations were $4,797,652 and $1,046,575, 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 continue to 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. The report of our independent registered public accounting firm on our financial statements for the year ended December 31, 2016 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 Form 10-K, 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.

WE ARE PAST DUE IN THE PAYMENT OF PAYROLL TAXES.

At December 31, 2016 we had approximately $87,000 of accrued but unpaid payroll taxes due the federal government which includes penalties and interest. 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.

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

We do not have any additional commitments to provide 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.

BECAUSE WE SELL CAPITAL EQUIPMENT, OUR BUSINESS IS SUBJECT TO OUR CUSTOMERS' CAPITAL BUDGET AND WE MAY SUFFER DELAYS OR CANCELLATIONS OF ORDERS. ANY 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 SURVEILLANCE, 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.

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 69.76% 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

OUR STOCK PRICE MAY BE VOLATILE, WHICH COULD RESULT IN SUBSTANTIAL LOSSES FOR INVESTORS.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in response to various factors, many of which are beyond our control, including the following:

- technological innovations or new products and services by us or our competitors;
- additions or departures of key personnel;
- sales of our common stock, particularly under any registration statement for the purposes of selling any other securities, including management shares;
- negative sentiment from investors, customers, vendors and strategic partners due to doubt about our ability to continue as a going concern;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also significantly affect the market price of our common stock.

WE ARE SUBJECT TO PENNY STOCK RULES WHICH WILL MAKE THE SHARES OF OUR COMMON STOCK MORE DIFFICULT TO SELL.

We are subject to the Securities and Exchange Commission's "penny stock" rules since our shares of common stock sell below $5.00 per share. Penny stocks generally are equity securities with a per share price of less than $5.00. The penny stock rules require broker-dealers to deliver a standardized risk disclosure document prepared by the Securities and Exchange Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that prior to a transaction the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. The penny stock rules are burdensome and may reduce purchases of any offerings and reduce the trading activity for shares of our common stock. As long as our shares of common stock are subject to the penny stock rules, the holders of such shares of common stock may find it more difficult to sell their securities.

OUR CURRENT CHIEF EXECUTIVE OFFICER AND A MEMBER OF THE BOARD OF DIRECTORS, MR. ROGER RALSTON, HOLDS SERIES A PREFERRED STOCK, CONTROLS A SIGNIFICANT PERCENTAGE OF OUR CAPITAL STOCK AND HAS SUFFICIENT VOTING POWER TO CONTROL THE VOTE ON SUBSTANTIALLY ALL CORPORATE MATTERS.

Roger Ralston, our chief executive officer and a member of the board of directors, controls a significant percentage of our capital stock. Accordingly, Mr. Ralston will be able to determine the composition of our board of directors, will retain the effective voting power to approve all matters requiring shareholder approval, will prevail in matters requiring shareholder approval, including, in particular the election and removal of directors, and will continue to have significant influence over our business. As a result of his ownership and position in the Company, Mr. Ralston is able to influence all matters requiring shareholder action, including significant corporate transactions.

THERE IS, AT PRESENT, ONLY A LIMITED MARKET FOR OUR COMMON STOCK AND WE CANNOT ENSURE INVESTORS THAT AN ACTIVE MARKET FOR OUR COMMON STOCK WILL EVER DEVELOP OR BE SUSTAINED.

Our shares of common stock are thinly traded. Due to the illiquidity, the market price may not accurately reflect our relative value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future. Because our common stock is so thinly traded, a large block of shares traded can lead to a dramatic fluctuation in the share price and investors may not be able to liquidate their investment in us at all or at a price that reflects the value of the business. In addition, our common stock currently trades on the OTC Pink, which generally lacks the liquidity, research coverage and institutional investor following of a national securities exchange like the NYSE MKT, the New York Stock Exchange or the Nasdaq Stock Market. While we intend to list our common stock on a national securities exchange once we satisfy the initial listing standards for such an exchange, we currently do not, and may not ever, satisfy such initial listing standards.

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OUR BOARD OF DIRECTORS CAN AUTHORIZE THE ISSUANCE OF PREFERRED STOCK, WHICH COULD DIMINISH THE RIGHTS OF HOLDERS OF OUR COMMON STOCK, AND MAKE A CHANGE OF CONTROL OF US MORE DIFFICULT EVEN IF IT MIGHT BENEFIT OUR SHAREHOLDERS.

Our board of directors is authorized to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the voting powers, preferences and other rights and limitations of the preferred stock. We currently have 51 shares of Series A Preferred Stock issued and outstanding. We may issue additional shares of preferred stock with a preference over our common stock with respect to dividends or distributions on liquidation or dissolution, or that may otherwise adversely affect the voting or other rights of the holders of common stock. Issuances of preferred stock, depending upon the rights, preferences and designations of the preferred stock, may have the effect of delaying, deterring or preventing a change of control, even if that change of control might benefit our shareholders.

OFFERS OR AVAILABILITY FOR SALE OF A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK MAY CAUSE THE PRICE OF OUR COMMON STOCK TO DECLINE.

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock and make it more difficult for us to raise funds through future offerings of common stock. As additional shares of our common stock become available for resale in the public market, the supply of our common stock will increase, which could decrease the price of our common stock.

In addition, if our shareholders sell substantial amounts of our common stock in the public market, upon the expiration of any statutory holding period under Rule 144, upon the expiration of lock-up periods applicable to outstanding shares, or upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an “overhang,” in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, could also make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

WE DO NOT EXPECT TO PAY DIVIDENDS IN THE FUTURE. AS A RESULT, ANY RETURN ON INVESTMENT MAY BE LIMITED TO THE VALUE OF OUR COMMON STOCK.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on our earnings, financial condition and other business and economic factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on an investment in our common stock will only occur if our stock price appreciates.

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.

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, 2015. 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.

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 Chief Executive Officer and Chairman, Roger Ralston. We believe that our facility is adequate to meet our current needs.

Item 3. Legal Proceedings.

We are not currently involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our common stock, any of our subsidiaries or of our Company's or our Company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information

Our shares of common stock are quoted on the OTC Markets OTC Pink under the symbol “DIRV”. The OTC Markets OTC Pink is a quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter equity securities. An OTC Markets OTC Pink equity security is not listed or traded on a national securities exchange.

The following table sets forth the high and low price for our common stock for each quarter during the 2016 and 2015 fiscal years. The prices reflect inter-dealer quotations, do not include retail mark-ups, markdowns or commissions and do not necessarily reflect actual transactions.

Fiscal 2016	High	Low
First Quarter (January 1 – March 31)	$0.192	$0.087
Second Quarter (April 1 – June 30)	$0.101	$0.010
Third Quarter (July 1 – September 30)	$0.021	$0.002
Fourth Quarter (October 1 – December 31	$0.003	$0.0007

Fiscal 2015	**High**	**Low**
First Quarter (January 1 – March 31)	$1.68	$0.052
Fourth Quarter (April 1 – June 30)	$0.73	$0.07
Third Quarter (July 1 – September 30)	$0.273	$0.080
Fourth Quarter (October 1 – December 31)	$0.217	$0.080

(b) Holders of Common Equity

As of April 13, 2017, there were approximately 200 stockholders of record. An additional number of stockholders are beneficial holders of our common stock in “street name” through banks, brokers and other financial institutions that are the record holders.

(c) Dividend Information

We have not paid any cash dividends to our holders of common stock. The declaration of any future cash dividends is at the discretion of our board of directors and depends upon our earnings, if any, our capital requirements and financial position, our general economic conditions, and other pertinent conditions. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

(d) Securities Authorized for Issuance under Equity Compensation Plans

On October 21, 2016, the Board of Directors of the Company approved the adoption of Amendment No. 1 to the DirectView Holdings, Inc. 2014 Incentive Plan (the "Plan") to increase the authorized shares under the Plan to 50,000,000. On November 23, 2016, the Company filed a Registration Statement on Form S-8 to register with the U.S. Securities and Exchange Commission 30,000,000 shares of the Company's common stock, which may be issued by the Company upon the exercise of options granted, or other awards made, pursuant to the terms of the Plan. Please see the Plan filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the U.S. Securities and Exchange Commission on November 23, 2017.

Recent Sales of Unregistered Securities

Other than as disclosed below, there were no sales of unregistered securities not already reported on the Company's quarterly filings on Form 10-Q or on a Current Report on Form 8-K.

On January 19, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $111,111 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. In December 2016 the note holder converted $15,700 of principle balance into 37,380,952 common shares at an exercise price of $.00042 per share. The balance of the convertible promissory note amounted to $94,411 as of December 31, 2016.

On February 5, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $157,895 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $157,895 as of December 31, 2016.

On March 7, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $118,573 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $118,573 as of December 31, 2016.

On April 1, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $105,263 with a six month maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $105,263 as of December 31, 2016.

On May 23, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $52,632 with a five month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016.

On June 24, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $78,947 with a four month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $78,947 as of December 31, 2016.

On July 20, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $52,632 with an eighteen month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016.

On July 29, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $52,632 with an eighteen month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016.

On September 1, 2016 the Company executed a Securities Purchase Agreement (SPA). In connection with the SPA the Company may issue 5% original issue discount (OID) convertible promissory notes with an aggregate principal balance amounting to $157,895. In connection with the SPA, on September 1, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,895. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. The promissory note will be fulfilled by issuing multiple tranches. On September 1, 2016, at the closing of the first tranche, the outstanding principle amount totaled $32,895. Each tranche will have a twelve month maturity date following the issuances of the tranche. The balance of the convertible promissory note amounted to $32,895 as of December 31, 2016.

On September 2, 2016 the Company issued a second tranche on $25,000 related to the above note. The principal balance of the second tranche was recorded as $25,000 with a twelve month maturity date. The balance of the convertible promissory note amounted to $25,000 as of December 31, 2016.

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On October 18, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $26,316 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $26,316 as of December 31, 2016.

On October 28, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $26,316 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $26,316 as of December 31, 2016.

On November 18, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $26,316 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $26,316 as of December 31, 2016.

On December 23, 2016 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $51,579 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. The balance of the convertible promissory note amounted to $51,579 as of December 31, 2016.

Subsequent to December 31, 2016 the Company issued 572,863,415 shares of common stock upon conversion of $144,101 of convertible promissory notes and $4,170 of accrued interest. These notes were converted at contractual rates ranging from $.00015 to $.00042.

On January 17, 2017 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $15,750 with a one year maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion.

On February 1, 2017 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $26,316 with a four month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion.

In connection with the SPA executed on September 1, 2016 on February 3, 2017 and on April 10, 2017 the Company issued two 5% original issue discount convertible promissory notes with an aggregate principal balance amounting to $21,053 and $15,789, respectively. These convertible debentures convert at 60% of the lowest trading price during the

30 days prior to conversion.

On April 10, 2017 the Company issued a 5% original issue discount convertible promissory note with a principal balance of $15,789 with a six month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion.

The above issuances of securities were not registered under the Securities Act of 1933, as amended (the "Securities Act"), but qualified for exemption under Section 4(a)(2) of the Securities Act. The securities were exempt from registration under Section 4(a)(2) of the Securities Act because the issuance of such securities by the Company did not involve a "public offering," as defined in Section 4(a)(2) of the Securities Act, due to the insubstantial number of persons involved in the transaction, size of the offering, and manner of the offering and number of securities offered. The Company did not undertake an offering in which it sold a high number of securities to a high number of investors. In addition, the investor had the necessary investment intent as required by Section 4(a)(2) of the Securities Act since they agreed to, and received, the securities bearing a legend stating that such securities are restricted pursuant to Rule 144 of the Securities Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a "public offering." Based on an analysis of the above factors, the Company has met the requirements to qualify for exemption under Section 4(a)(2) of the Securities Act.

Item 6. Selected Financial Data.

Not applicable to a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our company was formed in October 2006 and 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. ("DirectView Security") and in July 2007 we formed DirectView Video. DirectView Security began offering services and products immediately from inception.

Our operations are conducted within two divisions:

The vast majority of our business is derived from our security division which provides surveillance systems, digital video recording and services to businesses, organizations and law enforcement, and

Our video conferencing division which is a full-service provider of teleconferencing products and services to businesses and organizations.

We operate our security division through DirectView Security where we provide a wide array of video and audio hardware and software options to create custom security and surveillance solutions for large and small businesses as well as residential customers. The Company currently services customers in transportation, hotel and hospitality, education, cannabis, food services, and real estate industries.

We provide our customers with 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. We source our products from a variety of different suppliers and our product and service offerings include:

DRV Recorders and Cameras	Video Intercoms
NVR Recorders and IP Cameras	Laser and Video Beam Perimeter Security
Motion Detection and Thermal Imagery	Security Design and Consulting
Remote Control Device Management	Equipment Maintenance Service Plans
Access Control Solutions	

We have also developed custom software programs and applications to work with the products we offer to customers to enhance their convenience and capability. We have developed a mobile application which we call the "DirectView Security App" to enable full remote management of deployed surveillance devices including positioning cameras, setting recording parameters, and replay of selected video. The DirectView Security App provides full encryption and is compatible with all Apple and Android based mobile devices. We are also in late stage development of a proprietary software platform targeted for educational institutions/daycare, aviation, and religious organizations. The platform will enable tiered database controlled access to multiple encrypted live streaming videos with audio with full scalability. The software will allow these businesses and organizations to provide parents, patrons or customers access to see to view a particular classroom, attend a religious service, or watch any activity permitted by the licensor of the software through any internet connected mobile device or computer.

We target businesses of various sizes ranging from residential to large scale businesses. Our main markets can be divided into five categories which include:

-Transportation (Airport, Heliport, and Bus Terminal)

-Hospitality (Hotel, Golf Course, Food Service and Bars/Restaurant)

-Industrial (Warehousing and Storage, Cannabis Grow House and Dispensary, and Manufacturing)

-Educational (Daycare, Private School, Learning Center/Religious Organization)

-Residential (Condo/Co-op, Property Management Company, and Private Home)

Beginning in 2014, we focused a significant amount of our business development and marketing efforts towards the legalized cannabis industry. We see this market as a strong growth area for the Company due to our belief that the political landscape will continue to move towards the legalization of marijuana for medical and recreational use across the country. By the middle of 2013, 18 states and the District of Columbia have already allowed the production and use of marijuana for medical purposes. Two states, Colorado and Washington, also have approved cannabis for recreational use. Additionally, many large security service providers have publicly avoided servicing businesses engaged in the sale or growing of marijuana which we believe lowers the competitive landscape.

In addition to conducting direct sales activities to businesses operating in this market, we also focus on partnerships with other service providers in the industry that are generally involved in the design and construction of facilities to grow and dispense marijuana. We have a preferred provider agreement with Legacy Construction Company of Colorado, LLC (“Legacy”). Under the terms of the preferred provider agreement, Legacy directs their retail and marijuana facility construction clients to DirectView for video surveillance and security needs. Legacy has over fifteen years of experience and expertise in commercial general contracting with specific experience in the retail and medical marijuana industry. Legacy holds a Class A general contractors license in six states including Colorado,Wyoming, Nevada, New Mexico, Utah, and Arizona. We also have a strategic partnership agreement with Cannamor, LLC (“Cannamor”), a privately held Colorado based consulting company focusing on legal cannabis growing and dispensing projects, where we are engaged as its exclusive security solutions provider. Under the terms of the agreement, Cannamor exclusively endorses and recommends DirectView as its vendor of choice for the planning and installation of video surveillance, video monitoring, video recording products and related services to its prospective clients. Both of these arrangements have led to sales and a number of large potential project leads within our sales pipeline. We continue to see this industry as a growing part of our security and surveillance business for the foreseeable future.

In an effort to further expand our market opportunities, in April 2015, we began preparations to develop a unique body-worn-camera solution to target law enforcement, business security and homeland security markets. We expect the solution to comprise of a line of body-worn-cameras integrated with a suite of communications capabilities including high capacity streaming video, *Bluetooth*®, GPS, push to talk, WIFI/4G LTE, and imbedded biometric

access. We are also working to integrate the video feeds with backend storage solutions for video/audio storage including playback and editing of stored evidence. We have received body-worn-camera prototypes that have been manufactured to our design specifications by a large third party manufacturer and we are currently beta testing those prototypes. We intend to have that manufacturer produce a finished product upon successful completion of product testing.

In order to enhance the communications capability of the solution as well as our marketing capabilities, we entered into an agreement with xG Technology, Inc. (“xG”), a developer of wireless communications and spectrum sharing technologies, to integrate our body-worn-camera device and related hardware with xG’s xMax private mobile broadband technology. The planned integration will consolidate the private, secure, high-performance communications capabilities of xMax with the features and functionality of our body-worn cameras.

We intend to offer our body-worn-cameras and the related suite of communications and storage solutions to our target customers through both direct sales and strategic partnerships with companies that sell complimentary products in the areas of law enforcement, homeland security and private security. In addition to our integration agreement with xG, we entered into a co-marketing agreement with PositiveID Corporation ("PSID"), a developer of diagnostic testing systems for use by first responders, to jointly market both companies' products to homeland security and first responder markets. We believe that co-marketing and product integration agreements such as these will expand the breadth of our product offerings and enable us to leverage the marketing capabilities of our partners to increase sales opportunities upon product launch.

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.

Our Outlook

Our net sales are currently 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 properly market our company in an effort to increase our sales. We are always looking for opportunities with new dealers to expand our IP based surveillance products offerings and plan to evaluate the market for our products throughout 2017 to determine whether we should hire additional employees in our sales force. We seek to leverage our current customer base which includes major international hotel chains, well known real estate development companies, and respected educational facilities, to build our reputation as a trusted security provider and generate customer referrals. Beginning in 2014 we also began targeting our marketing efforts toward the cannabis industry. We see the specific security needs of this industry, representing a significant opportunity for sales growth. Each state has specific requirements for security which includes extensive video surveillance and perimeter security. Additionally, some larger security companies have been hesitant to enter this market up to this point we believe this will help reduce competitive pressures. While we believe our strategy for growth will result in an increase in demand for our products and service 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.

Results of Operations

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Net Sales

Overall, our net sales for the year ended December 31, 2016 decreased approximately 38% from the comparable periods in 2015. The following table provides comparative data regarding the source of our net sales in each of these periods and the change from 2016 to 2015:

	Year Ended December 31, 2016			Year Ended December 31, 2015				
	$	% of Total		$	% of Total		Variance	
Sale of product	309,687	67	%	598,774	74	%	-48	%
Service	151,015	33	%	205,620	26	%	-27	%
Total	460,702	100	%	804,394	100	%	-43	%

Sales of product for the year ended December 31, 2016 decreased approximately 48% as compared to the year ended December 31, 2015. The decrease is attributed to a lower sales force in the year ended December 31, 2016. Service revenue decreased by approximately 27% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The decrease was due to customers decreasing their service needs in 2016 compared to 2015.

Net sales decreased due to lower customers' service needs. In an effort to continue to increase our sales in future periods, we believe we need to hire additional sales staff to initiate a telemarketing campaign and 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.

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 55% for the year ended December 31, 2016 compared to December 31, 2015. The following table provides comparative data regarding the breakdown of the cost of sales in each of these periods and the change from 2016 to 2015:

	Year Ended December 31, 2016			Year Ended December 31, 2015				
	$	% of Total		$	% of Total		Variance	
Cost of product	134,662	58	%	354,007	69	%	-62	%
Cost of service	96,603	42	%	159,887	31	%	-40	%
Total	231,265	100	%	513,894	100	%	-55	%

During the year ended December 31, 2016, our cost of product decreased approximately 62% as compared to the year ended December 31, 2015 which is directly related to the decrease in product sales for the same period. Our cost of services for 2016 decreased 40% as compared to the year ended December 31, 2015 due to less installation fees for year ended December 31, 2016 compared to the year ended December 31, 2015.

Total operating expenses for the year ended December 31, 2016 were $1,630,979, a decrease of $436,193, or approximately 21%, from total operating expenses for the comparable year ended December 31, 2015 of $2,067,172. This decrease is primarily attributable to marketing and public relations, rent and compensation and related taxes.

Loss from Operations

We reported a loss from operations of $1,401,542 for the year ended December 31, 2016, as compared to a loss from operations of $1,776,672 for the year ended December 31, 2015. This represented a decrease of $375,130 or 21% for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Other Income (Expense)

Total other expense was $3,396,110 for the year ended December 31, 2016 as compared to total other expense of $2,596,346 for the year ended December 31, 2015. The decrease in other expense was primarily attributable to the change in fair value of derivative liabilities, initial derivative expense and amortization of debt discount.

Net Income (Loss)

We reported a net loss of $4,797,652 and a net loss of $4,373,018 for the years ended December 31, 2016 and December 31, 2015, respectively. Net income from non-controlling interest for the year ended December 31, 2016 was $35,072 compared to a net loss of $62,767 for the year ended December 31, 2015.

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, 2016, we had a cash balance of $58,449. Our working capital deficit is $10,142,955 at December 31, 2016.

We reported a net decrease in cash for the year ended December 31, 2016 of $271,566. While we currently have no material commitments for capital expenditures, at December 31, 2016 we owed approximately $116,792 under various notes payable. During the twelve month period ended December 31, 2016, we have raised $850,644 of net proceeds from convertible notes payable.

Accrued expenses were $2,346,521 as of December 31, 2016 and consist of the following:

Accrued salaries for certain employees amounting to $1,476,917

Accrued commissions for certain employees amounting to $79,934

Sales tax payable of $46,771

Lease abandonment charges of $164,375

Accrued interest of $463,218

Accrued payroll liabilities and taxes of $86,873

Other accrued expenses of $28,433

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 $4,797,652 during the twelve months ended December 31, 2016. At December 31, 2016 we had a working capital deficit of $10,142,955. We do not anticipate we will be profitable in 2017. 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. Other than those disclosed above, 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, 2016 is a discussion regarding Going Concern.

Operating activities

Net cash flows used in operating activities for the year ended December 31, 2016 amounted to $1,046,575 and was primarily attributable to our net loss of $4,797,652 coupled with an increase in accounts receivable of $4,676 and an increase in other assets of $53,605. The losses were offset by depreciation of $15,156, common stock issued for compensation and services of $69,864, change in fair value of derivative liabilities of $958,072, derivative liability expenses of $348,244, amortization of debt discount of $1,721,296, amortization of deferred financing costs of $6,288, amortization of original issue discount of $86,524, bad debt expense of $106,898, deferred revenue of $38,500 and an increase in accounts payable and accrued expenses of $458,516. Net cash flows used in operating activities for the year ended December 31, 2015 amounted to $1,263,626 and was primarily attributable to our net loss of $4,373,018, offset by depreciation of $8,633, $343,860 of common stock issued for compensation and services, and net derivative expenses of $1,479,865, add back of amortization of debt issuance cost and debt discount of $919,034.

Investing Activities

Net cash flows provided by investing activities was $0 for year ended December 31, 2016. Net cash flows used in investing activities related to leasehold improvements amount to $14,453 for the year ended December 31, 2015.

Financing activities

Net cash flows provided by financing activities was $775,009 for the year ended December 31, 2016. We received proceeds from convertible notes payable of $850,644 and proceeds from notes payable of $25,000 offset by payments on convertible notes payable of $54,989, payments on notes payable of $34,900 and payments to related parties of $10,746. Net cash flows provided by financing activities was $1,594,936 for the year ended December 31, 2015. We received proceeds from notes payable of $2,296,438 and proceeds due to related parties of $26,940. We made payments of $50,000 related to notes payable and $678,442 to related parties.

Going Concern

The Company does not generate significant revenue. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations as a going concern is dependent on management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. As disclosed herein, we have entered into various convertible debt financing transactions to finance our business operations.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company believes its current available cash along with anticipated revenues may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

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 table summarizes our contractual obligations as of December 31, 2016, 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	$146,015	146,015	—	—	—
Operating Leases	$164,375	164,375	—	—	—
Purchase Obligations	$—	—	—	—	—
Total Contractual Obligations:	$310,390	310,390	—	—	—

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, use of estimates, accounts receivable, property and equipment, derivative liabilities and income taxes.

Revenue Recognition

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

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

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

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

Stock Based Compensation

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

Property and Equipment

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

Income Taxes

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

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

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

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

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

Recent Accounting Pronouncements and Adoption of New Accounting Principles

There are no recent accounting pronouncements or new accounting principles that have an effect on the Company's financial statements, except as described below.

In May 2014, the FASB issued an update ("ASU 2014-09") *Revenue from Contracts with Customers.* ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance and notes that lease contracts with customers are a scope exception. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. On August 12, 2015, the FASB issued ASU No. 2015-14 to defer the effective date of ASU No. 2014-09. Public business entities may elect to adopt the amendments as of the original effective date; however, adoption is required for annual reporting periods beginning after December 15, 2017. The Company is currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

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.

Not applicable.

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, 2016, 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.

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, 2016.

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, 2016. 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, 2016, management identified material weaknesses related to (i) our internal audit functions and (ii) the absence of an Audit Committee as of December 31, 2016, (iii) a lack of segregation of duties within accounting functions, (iv) 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 (v) ineffective controls over period end financial close and reporting processes. Therefore, our internal controls over financial reporting were not effective as of December 31, 2016.

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.

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.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal year 2016 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	48	Chief Executive Officer and Chairman of the Board of Directors
Michele Ralston	47	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.

In evaluating Mr. Ralston's specific experience, qualifications, attributes and skills in connection with his appointment to our board, we took into account his experience in the technology industry and his knowledge of publicly traded companies.

Michele Ralston has served as our 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.

In evaluating Mrs. Ralston's specific experience, qualifications, attributes and skills in connection with her appointment to our board, we took into account her experience in the technology industry and her knowledge of accounting matters.

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, 2015, 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.

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.

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.

It is our desire to expand our Board of Directors during 2016 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, 2016.

Name and principal position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compen-sation ($) (g)	Non-qualified Deferred Compen-sation Earnings ($) (h)	All Other Compen-sation ($) (i)		Total ($) (j)
Roger Ralston (1)	2016	276,924						40,000		316,924
	2015	276,924	-	-	-	-	-	300,000	(4)	576,924
	2014	276,924	-	-	-	-	-	387,500	(3)	664,424
Michele Ralston (2)	2016	72,000								72,000
	2015	72,000	-	-	-	-	-	-		72,000
	2014	72,000	-	-	-	-	-	-		72,000

(1) Accrued but unpaid compensation due to Mr. Ralston during fiscal 2016, 2015 and 2014 amounted to approximately 830,772

(2) Accrued but unpaid compensation due to Mrs. Ralston during fiscal 2016, 2015 and 2014 amounted to approximately 216,000.

(3) Represents compensation of 25,000,000 shares of common stock issued at $0.0155.

(4) Represents compensation of 100,000,000 shares of common stock issued at $0.003 for retirement of loans payable.

(5) Represents compensation of 50,000,000 shares of common stock issued at $0.0008 for compensation.

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 increases 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.

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 2013, Mr. Ralston's compensation package included a base salary of $276,924 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
Michele 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, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

As of the close of business on April 13, 2017, we had outstanding 997,794,385 shares of common stock. Each share of common stock is currently entitled to one vote on all matters put to a vote of our stockholders. The following table sets forth the number of common shares, and percentage of outstanding common shares, beneficially owned as of April 13, 2017 by:

- each person known by us to be the beneficial owner of more than five percent of our outstanding common stock;
- each of our current directors;
- each our current executive officers and any other persons identified as a "named executive" in the Summary Compensation Table above; and
- all our current executive officers and directors as a group.

Shares of common stock of the Company beneficially owned and percentage ownership before this offering is based on 997,794,385 shares of common stock outstanding as of April 13, 2017.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes general voting power and/or investment power with respect to securities. Shares of common stock issuable upon exercise of options or warrants that are currently exercisable or exercisable within 60 days of the record date, and shares of common stock issuable upon conversion of other securities currently convertible or convertible within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such securities but are not deemed outstanding for computing the beneficial ownership percentage of any other person. Under the applicable SEC rules, each person's beneficial ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by the total number of outstanding shares. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exercise of options or warrants or similar rights within the next 60 days, that same number of shares is added to the denominator in the calculation described above. Because the calculation of each person's beneficial ownership set forth in the "Percentage Beneficially Owned" column of the table may include shares that are not presently outstanding, the sum total of the percentages set forth in such column may exceed 100%. Unless otherwise indicated, the address of each of the following persons is 21218 Saint Andrews Blvd., Suite 323, Boca Raton, Florida, and, based upon information available or furnished to us, each such person has sole voting and investment power with respect to the shares set forth opposite his, her or its name.

Name of Beneficial Owner (1)	Shares of Seres A Preferred (3)	Percent of Series A Preferred (2)		Shares of Common Stock	Percent of Common Stock (2)	
Roger Ralston Chief Executive Officer, President, Chairman	51	100	%	52,880,953	5.30	%
Michele Ralston Chief Financial Officer, Secretary, Treasurer and Director	0	0	%	278	*	%
All officers and directors as a group (2 persons)	51	100	%	52,881,231	5.30	%
All officers, directors and 5% holders as a group (2 persons)	51	100	%	52,881,231	5.30	%

*represents less than 1%

(1) Beneficial ownership is determined in accordance with Rule 13D-3(a) of the Exchange Act and generally includes voting or investment power with respect to securities.

(2) 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.

Based on 997,794,385 shares of common stock outstanding as of April 13, 2017.

(3) Each one share of the Series A Preferred Stock has voting rights equal to (x) 0.019607 *multiplied by* the total issued and outstanding shares of common stock of the Company eligible to vote at the time of the respective vote (the "Numerator"), *divided by* (y) 0.49, *minus* (z) the Numerator. For purposes of illustration only, if the total issued and outstanding shares of common stock of the Company eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share of the Series A Preferred Stock shall be equal to 102,036 (0.019607 x 5,000,000) / 0.49) – (0.019607 x 5,000,000) = 102,036). The Series A Preferred Stock has no dividend rights, no liquidation rights and no redemption rights, and was created primarily to be able to obtain a quorum and conduct business at shareholder meetings.

Description of Securities

General

Our authorized capital stock consists of 1,000,000,000 shares of common stock, par value of $0.0001 per share, and 5,000,000 shares of blank check preferred stock, par value of $0.0001 per share, of which 51 shares are authorized as Series A Preferred Stock and 51 shares of Series A Preferred Stock are issued and outstanding. As of April 13, 2017 there were 997,794,385 shares of our common stock issued and outstanding held by 192 holders of record of our common stock.

Common Stock

Each share of our common stock entitles its holder to one vote in the election of each director and on all other matters voted on generally by our stockholders. No share of our common stock affords any cumulative voting rights. This means that the holders of a majority of the voting power of the shares voting for the election of directors can elect all directors to be elected if they choose to do so.

Holders of our common stock will be entitled to dividends in such amounts and at such times as our Board of Directors in its discretion may declare out of funds legally available for the payment of dividends. We currently intend to retain our entire available discretionary cash flow to finance the growth, development and expansion of our business and do not anticipate paying any cash dividends on the common stock in the foreseeable future. Any future dividends will be paid at the discretion of our Board of Directors after taking into account various factors, including:

- general business conditions;
- industry practice;
- our financial condition and performance;
- our future prospects;
- our cash needs and capital investment plans;
- our obligations to holders of any preferred stock we may issue;
- income tax consequences; and
- the restrictions Nevada and other applicable laws and our credit arrangements then impose.

If we liquidate or dissolve our business, the holders of our common stock will share ratably in all our assets that are available for distribution to our stockholders after our creditors are paid in full and the holders of all series of our outstanding preferred stock, if any, receive their liquidation preferences in full.

Our common stock has no preemptive rights and is not convertible or redeemable or entitled to the benefits of any sinking or repurchase fund.

Preferred Stock

Our Board has the authority, within the limitations and restrictions in our certificate of incorporation, to issue 5,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of any series, without further vote or action by the stockholders. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in our control without further action by the stockholders. The issuance of shares of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of our common stock, including voting rights, of the holders of our common stock. In some circumstances, this issuance could have the effect of decreasing the market price of our common stock.

Undesignated preferred stock may enable our Board to render more difficult or to discourage an attempt to obtain control of our company by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of our management. The issuance of shares of preferred stock may adversely affect the rights of our common stockholders. For example, any shares of preferred stock issued may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. As a result, the issuance of shares of preferred stock, or the issuance of rights to purchase shares of preferred stock, may discourage an unsolicited acquisition proposal or bids for our common stock or may otherwise adversely affect the market price of our common stock or any existing preferred stock.

On January 6, 2016, the Company filed an amendment to its articles of incorporation (the “Amendment”) with the Secretary of State of the State of Nevada, which, among other things, established the designation, powers, rights, privileges, preferences and restrictions of the Series A Preferred Stock, $0.001 par value per share (the “Series A Preferred Stock”).

Among other provisions, each one (1) share of the Series A Preferred Stock shall have voting rights equal to (x) 0.019607 *multiplied by* the total issued and outstanding shares of common stock of the Company eligible to vote at the time of the respective vote (the “Numerator”), *divided by* (y) 0.49, *minus* (z) the Numerator. For purposes of illustration only, if the total issued and outstanding shares of common stock of the Company eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share of the Series A Preferred Stock shall be equal to 102,036 (0.019607 x 5,000,000) / 0.49) – (0.019607 x 5,000,000) = 102,036).

Fifty-one (51) shares of Series A Preferred Stock were authorized and fifty-one (51) shares of Series A Preferred Stock were issued to Roger Ralston, the Company’s Chief Executive Officer and a director of the Company.

The Series A Preferred Stock has no dividend rights, no liquidation rights and no redemption rights, and was created primarily to be able to obtain a quorum and conduct business at shareholder meetings. All shares of the Series A Preferred Stock shall rank (i) senior to the Company's common stock and any other class or series of capital stock of the Company hereafter created, (ii) *pari passu* with any class or series of capital stock of the Company hereafter created and specifically ranking, by its terms, on par with the Series A Preferred Stock and (iii) junior to any class or series of capital stock of the Company hereafter created specifically ranking, by its terms, senior to the Series A Preferred Stock, in each case as to distribution of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary.

The foregoing descriptions of the Amendment and the Series A Preferred Stock designations does not purport to be complete and is subject to, and qualified in its entirety by, the Amendment, a copy of which is attached as Exhibit 3.1 to the Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on January 19, 2016, and incorporated herein by reference.

Anti-Takeover Provisions

Our Articles of Incorporation and Bylaws contain provisions that may make it more difficult for a third party to acquire or may discourage acquisition bids for us. Our Board of Directors may, without action of our stockholders, issue authorized but unissued common stock and preferred stock. The Series A Preferred Stock and the issuance of additional shares to certain persons allied with our management could have the effect of making it more difficult to remove our current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. The existence of unissued preferred stock may enable the Board of Directors, without further action by the stockholders, to issue such stock to persons friendly to current management or to issue such stock with terms that could render more difficult or discourage an attempt to obtain control of us, thereby protecting the continuity of our management. Our shares of preferred stock could therefore be issued quickly with terms that could delay, defer, or prevent a change in control of us, or make removal of management more difficult.

Disclosure of Commission Position on Indemnification for Securities Act Liabilities

The Articles of Incorporation provide for indemnification of directors and officers against certain liabilities. Officers and directors of the Company are indemnified generally for any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, has no reasonable cause to believe his conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by our directors, officers or controlling persons in the successful defense of any action, suit or proceedings) is asserted by such director, officer, or controlling person in connection with any securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issues.

Item 13. Certain Relationships and Related Transactions, and Director Independence

During the six months ended June 30, 2016, the Company paid $18,915 in accrued interest to the Chief Executive Officer. Additionally, as of December 31, 2016 and as of December 31, 2015 $0 and $48,478 of accrued interest due to related parties has been included in accrued expenses.

The Company repaid $10,907 to the Chief Executive Officer and borrowed $2,484 in the second quarter of 2015. The Company repaid $140,330 to the Chief Executive Officer and borrowed $3,412 in the third quarter of 2015. In October 2015 the Company repaid $2,584 to the Chief Executive Officer. In the period of March 2016 through June 2016, the company repaid $8,334 to the Chief Executive Officer. In July 2016 the Company repaid $1,809 to the Chief Executive Officer. In July 2016 the Company repaid $1,809 to the Chief Executive Officer. In November 2016 the Company repaid $603 to the Chief Executive Officer. As of December 31, 2016 and December 31, 2015 the Company had a payable to the Chief Executive Officer of the Company amounting to $1,814 and $12,560, respectively. These advances are short-term in nature and non-interest bearing.

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

Name	**December 31, 2016**
Roger Ralston	$1,239,258
Michele Ralston	226,204
Total	$1,465,462

Director Independence

The common stock of the Company is currently quoted on the OTC Pink which currently do not have director independence requirements. On an annual basis, each director and executive officer will be obligated to disclose any transactions with the Company in which a director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest in accordance with Item 407(a) of Regulation S-K. Following completion of these disclosures, the Board will make an annual determination as to the independence of each director using the current standards for “independence” that satisfy the criteria for the Nasdaq.

For purposes of determining independence, the Company has adopted the definition of independence as contained in Nasdaq Market Place Rules 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.

	Year Ended December 31,	
Category	2015	2016
Audit Fees(1)	$20,000	$20,000
Audit Related Fees(2)	$15,000	$15,000
Tax Fees(3)	-	-
All Other Fees(4)	-	-

(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.

(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.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Exhibit Number	Description
3.1	Delaware Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form 10 filed with the Securities and Exchange Commission on July 27, 2009)
3.2	Delaware Amended Certificate of Incorporation (incorporated herein by reference to Exhibit 3.2 to the Registration Statement on Form 10 filed with the Securities and Exchange Commission on July 27, 2009)
3.3	Delaware Bylaws (incorporated herein by reference to Exhibit 3.3 to the Registration Statement on Form 10 filed with the Securities and Exchange Commission on July 27, 2009)
3.4	Plan of Conversion (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2014)
3.5	Delaware Certificate of Conversion (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2014)
3.6	Nevada Articles of Incorporation (incorporated herein by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2014)
3.7	Nevada Bylaws (incorporated herein by reference to Exhibit 3.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2014)
3.8	Nevada Certificate of Amendment (incorporated herein by reference to Exhibit 3.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2014)
3.9	Nevada Certificate of Amendment (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K with the Securities and Exchange Commission on January 19, 2016)
3.10	Amendment to Articles of Incorporation, dated January 6, 2016 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2016)
3.11	Amendment to Articles of Incorporation, dated January 6, 2016 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 3, 2016)
4.2	Form of Convertible Promissory Note (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 14, 2016)
10.1	

	Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 14, 2016)
10.2	DirectView Holdings, Inc. 2014 Incentive Plan (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on March 13, 2014)
	Amendment No. 1 to the DirectView Holdings, Inc. 2014 Incentive Plan ((incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 23, 2016)
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*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

*Filed herein

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.

April 17, 2017 By:*/s/ Roger Ralston*
Roger Ralston
Chief Executive Officer and Director

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 (Principal Executive Officer)	April 17, 2017
/s/ Michele Ralston Michele Ralston	Chief Financial Officer and Director (Principal Financial Officer) (Principal Accounting Officer)	April 17, 2017

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DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash	$58,449	$330,015
Accounts Receivable - net	85,455	187,677
Inventory	29,953	-
Other Current Assets	52,556	47,489
Total Current Assets	226,413	565,181
PROPERTY AND EQUIPMENT - Net	-	15,156
OTHER ASSETS	26,167	7,582
Total Assets	$252,580	$587,919
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Convertible Promissory Notes, net of debt discounts of $309,302 and $1,283,047	$2,492,573	$1,224,309
Short Term Advances	146,015	146,015
Notes Payable	116,792	126,692
Accounts Payable	270,516	158,658
Accrued Expenses	2,346,521	2,024,457
Deferred Revenue	38,500	-
Due to Related Parties	1,814	12,560
Derivative Liability	4,956,637	3,718,242
Total Current Liabilities	10,369,368	7,410,933
Total Liabilities	10,369,368	7,410,933
STOCKHOLDERS' DEFICIT:		
Preferred Stock ($0.0001 Par Value; 5,000,000 Shares Authorized; Series A (51 shares designated 51 shares issued and outstanding as of December 31, 2016 and 0 shares issued and outstanding as of December 31, 2015)	-	-
Common Stock ($0.0001 Par Value; 1,000,000,000 Shares Authorized; 426,830,970 and 13,035,581 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively)	42,683	1,304

Additional Paid-in Capital	17,687,405	16,224,907
Accumulated Deficit	(27,844,136)	(23,081,557)
Total DirectView Holdings, Inc. Stockholders' Deficit	(10,114,048)	(6,855,346)
Non-Controlling Interest in Subsidiary	(2,740)	32,332
Total Stockholders' Deficit	(10,116,788)	(6,823,014)
Total Liabilities and Stockholders' Deficit	$252,580	$587,919

See accompanying notes to consolidated financial statements.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2016	2015
NET SALES:		
Sales of Product	$309,687	$598,774
Services	151,015	205,620
Total Net Sales	460,702	804,394
COST OF SALES:		
Cost of Product	134,662	354,007
Cost of Services	96,603	159,887
Total Cost of Sales	231,265	513,894
GROSS PROFIT	229,437	290,500
OPERATING EXPENSES:		
Marketing and Public Relations	178,495	443,015
Rent	79,320	97,203
Depreciation	15,156	8,632
Bad Debt Expense	106,898	627
Research and Development	18,014	21,019
Compensation and Related Taxes	508,575	790,336
Other Selling, General and Administrative	724,521	706,340
Total Operating Expenses	1,630,979	2,067,172
LOSS FROM OPERATIONS	(1,401,542)	(1,776,672)
OTHER INCOME (EXPENSES):		
Gain on conversion of related party loan	10,264	-
Change in Fair Value of Derivative Liabilities	(958,072)	40,404
Initial Derivative Expense	(348,244)	(1,479,865)
Interest Income	271	23,696
Amortization of Debt Discount	(1,721,296)	(919,034)
Amortization of Deferred Financing Costs	(6,288)	(32,729)
Interest Expense	(372,745)	(228,818)
Total Other Expense	(3,396,110)	(2,596,346)
NET LOSS	(4,797,652)	(4,373,018)

Less: Net Income (Loss) Attributable to Non-Controlling Interest	35,072	(62,767)
Net Loss Attributable to DirectView Holdings, Inc.	$(4,762,580)	$(4,435,785)
NET LOSS PER COMMON SHARE:		
Basic and Diluted	$(0.08)	$(0.02)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic and Diluted	56,188,593	257,604,137

See accompanying notes to consolidated financial statements.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

For the Years Ended December 31, 2016 and 2015

	Preferred Stock $0.0001 Par Value		Common Stock $0.0001 Par Value		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2014	-	-	412,598	41	14,056,182	(18,645,772)	(30,435)	(4,619,984)
Issuance of Common Stock in connection with the conversion of convertible promissory notes and accrued interest			9,676,793	968	618,319			619,287
Issuance of Common Stock for Compensation and Services			2,850,952	285	343,575			343,860
Issuance of Common Stock in satisfaction of amount due to related party			95,238	10	9,990			10,000
Adjustment to APIC to reflect change in fair value of derivative liabilities upon conversion of promissory notes					1,196,841			1,196,841
Net loss for the year						(4,435,785)	62,767	(4,373,018)
Balance at December 31, 2015	-	-	13,035,581	1,304	16,224,907	(23,081,557)	32,332	(6,823,014)
Issuance of Common Stock in connection			343,035,717	34,304	559,679			593,983

with the conversion of promissory notes and accrued interest								
Reclassification of derivative liability to additional paid in capital					840,039			840,039
Issuance of Common Stock for Compensation and Services			70,759,672	7,076	62,788			69,864
Adjustment to agree to transfer agent report			-	(1)	(8)			(9)
Net loss for the year						(4,762,579)	(35,072)	(4,797,651)
Balance at December 31, 2016	-	-	426,830,970	42,683	17,687,405	(27,844,136)	(2,740)	(10,116,788)

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, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(4,797,652)	$(4,373,018)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and amortization	15,156	8,633
Common stock issued for compensation and services	69,864	343,860
Change in fair value of derivative liabilities	958,072	(40,404)
Initial derivative liability expense	348,244	1,479,865
Amortization of debt discount	1,721,296	919,034
Amortization of deferred financing costs	6,288	32,729
Bad debt expenses	106,898	627
Amortization of original issue discount	86,524	51,629
(Increase) Decrease in:		
Accounts receivable	(4,676)	(128,290)
Other current assets	(5,067)	(52,616)
Other assets	(48,538)	-
Gain on conversion of related party loan	(10,264)	-
Increase (Decrease) in:		
Accounts payable	75,412	3,943
Accrued expenses	393,368	490,382
Deferred revenue	38,500	
Net Cash (Used in) Operating Activities	(1,046,575)	(1,263,626)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of leasehold improvements	-	(14,453)
Net Cash (Used in) Investing Activities	-	(14,453)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable	850,644	2,296,438
Payments of convertible notes payable	(54,989)	(50,000)
Proceeds from notes payable	25,000	-
Payments of notes payable	(34,900)	-
Proceeds from related parties	-	26,940
Payments to related parties	(10,746)	(678,442)

Net Cash Provided by Financing Activities	775,009	1,594,936
Net (Decrease) Increase in Cash	(271,566)	316,857
Cash - Beginning of Period	330,015	13,158
Cash - End of Period	$58,449	$330,015
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$-	$-
Income Taxes	$-	$-
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with conversion of convertible promissory notes and accrued interest	$1,434,022	$619,287
Issuance of Common Stock in satisfaction of amount due to related party	$-	$10,000
Initial recognition of derivative liability as debt discount	$1,044,053	$1,101,046
Reclassification of derivative liability to additional paid in capital	$840,039	$-

See accompanying notes to consolidated financial statements.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 include the accounts of the Company, three wholly-owned subsidiaries, and a subsidiary with which the Company has a majority voting interest of approximately 58% (the other 42% is owned by non-controlling interests, including 12% which is owned by the Company’s CEO) as of December 31, 2016. In the preparation of the 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.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

All share and per share amounts have been presented to give retroactive effect to a 1 for 30 reverse-stock split that occurred in March 2015.

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 dates 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, deferred tax asset valuation allowance, valuation of stock-based compensation, the useful life of property and equipment, valuation of beneficial conversion features on convertible debt and the assumptions used to calculate derivative liabilities.

Non-controlling Interests in Consolidated Financial Statements

The Company follows ASC 810-10-65, "Non-controlling Interests in Consolidated Financial Statements." 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 unaudited 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. 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, 2016, the Company reflected a non-controlling interest of ($2,740) in connection with our majority-owned subsidiary, DirectView Security Systems Inc. as reflected in the accompanying consolidated balance sheets.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. For the year ended December 31, 2016 the Company had not reached bank balances exceeding the FDIC insurance limit. For the year ended December 31, 2015 the Company was over the insured limit by $58,390. 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

The Company follows 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.

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

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own ass

Cash and cash equivalents include money market securities that are considered to be highly liquid and easily tradable as of December 31, 2016 and December 31, 2015. 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. As of December 31, 2016 and 2015 there were not any cash equivalents.

In addition, FASB ASC 825-10-25 Fair Value Option 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, 2016 and December 31, 2015, management determined that an allowance is necessary which amounted to $38,000 at both dates. During the years ended December 31, 2016 and 2015, the Company recognized $106,898 and $627 respectively of expenses related to uncollectible accounts receivable.

Advertising

Advertising is expensed as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was $178,495 and $443,015 respectively.

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Shipping costs

Shipping costs are included in other selling, general and administrative expenses and were deemed to be not material for the years ended December 31, 2016 and 2015, respectively.

Inventory

Inventory, consisting of finished goods related to our products is stated at the lower of cost or net realizable value utilizing the first-in, first-out method. The Company acquires inventory for specific installation jobs. As a result, the Company generally orders inventory only as needed for installations and there was an insignificant amount of inventory on hand at December 31, 2015. Due to the anticipation of customers needs the Company purchased inventory items and had $29,953 in inventory as of December 31, 2016.

Property and Equipment

Property and equipment is 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. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

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 years ended December 31, 2016 and 2015.

Income Taxes

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

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

Stock Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated 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.

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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. The Company recorded stock based compensation expense of $60,932 to employees and $8,932 to non-employees during the year ended December 31, 2016. The company recorded stock based compensation expense of $334,100 to employees and $9,760 to non-employees during the year ended December 31, 2015.

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. Sales are recorded net of discounts and discounts are determined to be immaterial.

The following policies reflect specific criteria for the various revenue 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. Due to the nature of the Company's business it is not practicable to return products therefore the Company has determined that it is not necessary to provide a provision for sales returns and allowances. The Company's manufacturers provide the highest quality products available. If there is a defect in a product related to materials or workmanship the Company extends the manufacturer's warranty to its customers. To date this process has never occurred. Therefore no warranty liability is recorded.

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

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.

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. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk.

During the year ended December 31, 2016, one customer accounted for 18% of revenues.

During the year ended December 31, 2015, two customers accounted for 52% of revenues. The following is a list of percentage of accounts receivable owed by the two customers.

Customer 1	16%
Customer 2	36%
Total	52%

As of December 31, 2016, three customers accounted for 39% of total accounts receivable. The following is a list of percentage of accounts receivable owed by the three customers:

Customer 1	13%
Customer 2	13%
Customer 3	13%
Total	39%

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As of December 31, 2016, one customer accounted for 36% of total accounts receivable.

As of December 31, 2015, three customers accounted for 65% of total accounts receivable. The following is a list of percentage of accounts receivable owed by the three customers:

Customer 1	14%
Customer 2	16%
Customer 3	35%
Total	65%

Research and Development

Research is planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service (hereinafter "product") or a new process or technique (hereinafter "process") or in bringing about a significant improvement to an existing product or process. Development is the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternatives, construction of prototypes, and operation of pilot plants. It does not include routine or periodic alterations to existing products, production lines, manufacturing processes, and other on-going operations even though those alterations may represent improvements and it does not include market research or market testing activities. Per FASB ASC 730, the Company expenses research and development cost as incurred.

Related Parties

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party

transactions. All transactions shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to related party.

Net Loss per Common Share

Net loss per common share is calculated in accordance with ASC Topic 260: Earnings Per Share ("ASC 260"). Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net earnings per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. At December 31, 2016 the Company had 5,946,749,740 share equivalents issuable pursuant to embedded conversion features. At December 31, 2015 the Company had 1,240,096,048 share equivalents issuable pursuant to embedded conversion features.

Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not expect the future adoption of any such pronouncements to have a significant impact on the results of operations, financial condition or cash flows, except as described below.

In May 2014, the FASB issued an update ("ASU 2014-09") *Revenue from Contracts with Customers.* ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance and notes that lease contracts with customers are a scope exception. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. On August 12, 2015, the FASB issued ASU No. 2015-14 to defer the effective date of ASU No. 2014-09. Public business entities may elect to adopt the amendments as of the original effective date; however, adoption is required for annual reporting periods beginning after December 15, 2017. The Company is currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements are prepared assuming the Company will continue as a going concern. At December 31, 2016, the Company had an accumulated deficit of approximately $28 million, a stockholders' deficit of approximately $10 million and a working capital deficiency of $10,142,955. The net cash used in operating activities for the year ended December 31, 2016 totaled $1,046,575. These matters raise substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the issue date of this report. The ability of the Company to continue as a going concern is dependent upon increasing sales and obtaining additional capital and financing. Management intends to attempt to raise 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 consolidated 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, 2016**	**December 31, 2015**
Leasehold Improvements	2 years	$ 26,901	$ 26,901
Less: Accumulated amortization		(26,901)	(11,745)
Furniture and fixtures	3 years	2,771	2,771
Less: Accumulated depreciation		(2,771)	(2,771)
		$ 0	$ 15,156

For the years ended December 31, 2016 and 2015, depreciation and amortization expense amounted to $15,156 and $8,632, respectively.

In June 2014 the Company negotiated to lease approximately 3,000 square feet of office space in New York City and made leasehold improvements totaling $12,448. In August 2015 the Company made leasehold improvements totaling $14,453. The Company began amortizing the balance on a straight-line basis for the term of 2 years commencing in July 2014 and August 2015. In September 2016 the Company moved its office to a different floor in the same building. Consequently, the company amortized the remainder of the leasehold improvements during September 2016. The monthly rent expense remained the same. The original monthly rent was $5,000 per month which was increased to $6,460 in November 2015.

NOTE 4 – NOTES PAYABLE

In November 2009, the Company issued an unsecured note 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. 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 was in default as of December 31, 2015. In February 2016 the Company paid the noteholder $19,133, the remaining $9,900 balance of the note and $9,233 in accrued interest. As of December 31, 2016 and December 31, 2015 the balance of the note was $0 and $9,900, respectively.

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, 2016 and December 31, 2015 the notes amounted to $116,792 and $116,792 respectively.

On September 15, 2016, the Company issued a demand promissory note of $25,000 due December 22, 2016. The interest rate is 10% with a minimum guaranteed interest amount of $2,500. In December 2016 the Company paid the balance of the note leaving the balance at $0 as of December 31, 2016.

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As of December 31, 2016 and December 31, 2015, notes payable amounted to $116,792 and $126,692, respectively.

Accrued interest on the notes payable amounted to approximately $66,000 and $64,200 as of December 31, 2016 and December 31, 2015, respectively and is included in accrued expenses.

NOTE 5 – SHORT TERM ADVANCES

During the years ended December 31, 2013, 2012 and 2011 an unrelated party advanced funds to the Company used for operating expenses. The advances are payable in cash and are non interest bearing and due on demand. The balance of these short term advances was $146,015 and $146,015 as of December 31, 2016 and December 31, 2015.

NOTE 6 – ACCRUED EXPENSES

As of December 31, 2016 and December 31, 2015 the Company had accrued expenses of $2,346,521 and $2,024,457 respectively. The following table displays the accrued expenses by category.

	December 31, 2016	December 31, 2015
Operating Expenses	$28,433	$87,410
Lease Abandonment	164,375	164,375
Employee Commissions	79,934	60,590
Interest	463,218	276,791
Salaries	1,476,917	1,312,594
Sales Tax Payable	46,771	37,994
Payroll Liabilities	86,873	84,703
	$2,346,521	$2,024,457

NOTE 7 – CONVERTIBLE PROMISSORY NOTES

Convertible promissory notes consisted of the following:	**December 31, 2016**	**December 31, 2015**
Convertible promissory notes	$2,801,875	$2,507,356
debt discount	(282,217)	(1,221,506)
debt discount original issue discount	(20,686)	(57,352)
debt discount deferred financing	(6,399)	(4,189)
Convertible promissory notes– net	$2,492,573	$1,224,309

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 negotiated 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 May 2013 the Company and the note holder renegotiated the terms of the note to include features that allow the note holder to convert the principal balance of the note into common shares at the conversion price of $ .0001. This note included down round (“ratchet”) provisions that resulted in derivative accounting treatment for this note (See note 8). At issuance of the renegotiated note the Company recorded a debt discount in the amount of $45,000 which has been fully amortized as of December 31, 2013. In June 2013 the note holder converted $764 into common shares at the contractual rate of $.0001 per share. In March 2014 the note holder converted an additional $990 into common shares at the contractual rate of $.0001 per share. In October 2014 the note holder assigned $20,000 of the note balance to a third party. The balance of the unsecured note payable amounted to $23,246 as of December 31, 2016 and December 31, 2015.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

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On October 10, 2013 the Company issued a $10,000 6% convertible debenture with a one year maturity date. This convertible debenture converts at $.00075. The Company recorded a debt discount of $8,333 upon issuance of this note. The debt discount was amortized over the term of the note. This note included down round ("Ratchet") provisions that resulted in derivative accounting treatment for this note (See note 8). The balance of the convertible debenture is $10,000 as of December 31, 2016 and December 31, 2015. In connection herewith, the Company recorded a derivative liability and an offsetting debt discount of $8,333 (see Note 8).

On December 11, 2013 the Company issued a $25,000 6% convertible debenture with a one year maturity date. This convertible debenture converts at $.0008. The debt discount was amortized over the term of the note. This note included down round ("Ratchet") provisions that resulted in derivative accounting treatment for this note (See note 8). In connection herewith, the Company recorded a derivative liability and an offsetting debt discount of $23,958 (see Note 8). The balance of this convertible debenture is $25,000 as of December 31, 2016 and as of December 31, 2015.

On January 16, 2014 the Company issued a $25,000 6% convertible debenture with a one year maturity date. This convertible debenture converts at 50% of the lowest trading price during the ten trading days prior to the conversion date. The Company recorded a debt discount of $25,000 with the difference of $26,848 recorded as a derivative expense. The debt discount was amortized over the term of the note. This note included down round ("Ratchet") provisions that resulted in derivative accounting treatment for this note (See note 8). In connection herewith, the Company recorded a derivative liability and an offsetting debt discount of $51,848 (see Note 8). The balance of this convertible debenture is $25,000 as of December 31, 2016 and as of December 31, 2015.

In March 2014 the Company issued three $50,000 8% convertible debentures with a one year maturity date. Each note is convertible at a contractual rate of $.0175 which exceeded the quoted stock price on the date of the issuance of the convertible debentures. In the first quarter of 2016 the Company paid $50,000 in reduction of one of the notes. The balance of these three notes was $100,000 and $150,000 as of December 31, 2016 and as of December 31, 2015, respectively.

On October 27, 2014 the Company issued an 8% original issue discount (OID) senior secured convertible promissory note with a principal balance of $21,600 with a one year maturity date. This convertible debenture converts at the lower of $.0025 or 60% of the lowest trading price during the 25 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $311,662 and a debt discount of $18,400 (see Note 8). The Company also recorded OID of $1,600. The OID and debt discount were fully being amortized as of December 31, 2015. The balance of this convertible debenture as of December 31, 2016 and as

of December 31, 2015 is $21,600.

On December 19, 2014 the Company issued an 8% original issue discount (OID) senior secured convertible promissory note with a principal balance of $27,174 with a one year maturity date. This convertible debenture converts at the lower of $.0025 or 60% of the lowest trading price during the 25 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $5,017 and a debt discount of $5,017 (see Note 8). The Company also recorded OID of $2,000. The OID and debt discount were fully amortized as of December 31, 2015. In February 2016 the note holder converted $27,174 of the convertible promissory note payable balance and $2,174 of accrued interest into 559,006 common shares at the contractual rate of $.004 per share. The balance of this convertible debenture as of December 31, 2016 and as of December 31, 2015 is $0 and $27,174, respectively.

In October 2014 a note holder assigned $20,000 of principal balance and $4,489 of an accrued interest balance to a third party. In January 2015 the note holder converted $1,000 into 9,524 common shares at the contractual rate of $.105. In March 2015 the note holder converted $1,300 into 37,143 common shares at the contractual rate of $.035. In April and May 2015 the note holder converted $17,200 into 397,143 common shares at the contractual rate ranging from $.028 to $.055 per share. In March 2016 the Company paid the note holder the balance of the unsecured note payable of $4,989. The balance of this unsecured note payable as of September 30, 2016 and as of December 31, 2015 is $0 and $4,989, respectively.

On February 11, 2015 the Company issued an 8% original issue discount (OID) senior secured convertible promissory note with a principal balance of $54,348 with a one year maturity date. This convertible debenture converts at the lower of $.0025 or 60% of the lowest trading price during the 25 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $119,940, a debt discount of $50,348 (see Note 8), and derivative expense of $69,940. The Company also recorded OID of $4,000. The OID and debt discount are being amortized over the term of the note. In June 2015 the note holder assigned the balance of the note and accrued interest of $4,348 to a third party totaling a new note balance of $58,696 as of June 30, 2015. In August 2015 the note holder converted $10,000 of principle balance into 207,039 common shares at the contractual rate of $.0483 per share. In September 2015 the note holder converted $24,000 of principle balance into 496,894 common shares at the contractual rate of $.0483 per share. In October 2015 the note holder converted an additional $10,000 of principle balance into 226,757 common shares at the contractual rate of $.0441 per share. In March 2016 the note holder converted the remaining $14,696 of principle balance into 362,733 common shares at the contractual rate of $.0406 per share. The balance of the unsecured note payable amounted to $0 and $14,696 as of December 31, 2016 and as of December 31, 2015, respectively.

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On May 5, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $115,789 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $147,775, a debt discount of $110,000 (see Note 8), and derivative expense of $37,775. The Company also recorded OID of $5,789 and deferred financing of $10,000. The OID, deferred financing and debt discount are being amortized over the term of the note. In December 2015 the note holder converted $23,000 of principle balance into 408,148 common shares at the contractual rate of $.0564 per share. In January 2016 the note holder converted $65,673 of principle balance into 941,913 common shares at the contractual rate ranging from $.0686 to $.0711 per share. In February the note holder converted the remaining balance of $27,117 of the convertible promissory note and $11,579 of accrued interest into 453,252 common shares at the contractual rate of $.0256 per share. The balance of the convertible promissory note amounted to $0 and $92,789 as of December 31, 2016 and as of December 31, 2015, respectively.

On May 15, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $52,632 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $67,171, a debt discount of $50,000 (see Note 8), and derivative expense of $17,171. The Company also recorded OID of $2,632. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016 and as of December 31, 2015. The debt discount and OID were fully amortized as of June 30, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $32,895.

On May 27, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $52,632 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $67,171, a debt discount of $50,000 (see Note 8), and derivative expense of $17,171. The Company also recorded OID of $2,632. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016 and as of December 31, 2015. The debt discount and OID were fully amortized as of June 30, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $31,433.

On June 5, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $52,632 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading

price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $67,171, a debt discount of $50,000 (see Note 8), and derivative expense of $17,171. The Company also recorded OID of $2,632. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016 and as of December 31, 2015. The debt discount and OID were fully amortized as of June 30, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $29,386.

On June 15, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,895 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $201,512, a debt discount of $142,500 (see Note 8), and derivative expense of $59,406. The Company also recorded OID of $7,500 and deferred financing costs of $1,500. The OID, deferred financing and debt discount are being amortized over the term of the note. In June 2016 the note holder converted $5,000 of principle balance into 793,651 common shares at the contractual rate of $.0063 per share. During the period of October 1, 2016 through December 31, 2016 the note holder converted $85,620 of principle balance into 136,000,000 common shares at contractual rates ranging from $.00042 to $.0026 per share. The balance of the convertible promissory note amounted to $5,280 as of December 31, 2016 and $157,895 as of December 31, 2015. The debt discount and OID were fully amortized as of June 30, 2016. The balance of the convertible promissory note net of debt discount, deferred financing and OID as of December 31, 2015 amounted to $113,707.

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On July 1, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,895 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $201,512, a debt discount of $142,500 (see Note 8), and derivative expense of $59,406. The Company also recorded OID of $7,500. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $157,895 as of December 31, 2016 and as of December 31, 2015. The debt discount and OID were fully amortized as of June 30, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $82,895.

On July 15, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,895 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $201,512, a debt discount of $142,500 (see Note 8), and derivative expense of $59,406. The Company also recorded OID of $7,500. The OID and debt discount are being amortized over the term of the note. In September 2016 the note holder converted $9,720 of principle balance into 5,400,000 common shares at a contractual rate of $.00018 per share. The balance of the convertible promissory note amounted to $148,175 and $157,895 as of December 31, 2016 and as of December 31, 2015, respectively. The debt discount and OID were fully amortized as of September 30, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $76,645.

On July 23, 2015 the Company issued a convertible promissory note with a principal balance of $429,439 with a one year maturity date. This convertible debenture converts at 55% of the two lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $707,603, a debt discount of $429,439 (see Note 8), and derivative expense of $278,164. The debt discount is being amortized over the term of the note. In March 2016 the note holder converted $70,000 of principle balance into 1,454,545 common shares at the contractual rate of $.0482 per share. In April 2016 the note holder converted $15,000 of principle balance into 599,401 common shares at the contractual rate of $.0251 per share. In May 2016 the note holder converted $14,000 of principle balance into 909,091 common shares at the contractual rate of $.0154 per share. In the period of July 2016 through September 2016 the note holder converted $19,600 of principle balance into10,443,129 common shares at the contractual rate ranging from $.00121 to $.0038 per share. In the period of October 2016 through December 2016 the note holder converted $29,700 of principle balance into 50,900,083 common shares at the contractual rate ranging from $.00041 to $.00121 per share. The balance of the convertible promissory note amounted to $281,139 and $429,439 as of December 31, 2016 and as of December 31, 2015, respectively. The debt discount was fully amortized as of September 30, 2016. The balance of the convertible promissory note net of debt discount as of December 31, 2015 amounted to $278,767.

On October 9, 2015 three convertible promissory notes mentioned above were assigned to a third party note holder with the same terms and balances. In February 2016 the note holder converted $20,000 of the convertible promissory note and $2,000 of accrued interest into 419,048 common shares at the contractual rate of $.0525 per share. In March 2016 the note holder converted $20,000 of the convertible promissory note and $2,000 of accrued interest into 419,048 common shares at the contractual rate of $.0525 per share.

In April 2016 the note holder converted an additional $15,000 of the convertible promissory note and $1,500 of accrued interest into 654,762 common shares at the contractual rate of $.0252 per share. In May 2016 the note holder converted $10,895 of the convertible promissory note and $1,089 of accrued interest into 713,346 common shares at the contractual rate of $.0168 per share. In the period of July 2016 through September 2016 the note holder converted $15,000 of principle balance into7,027,779 common shares at the contractual rate ranging from $.00126 to $.006 per share. In the period of October 2016 through December 2016 the note holder converted $27,500 of principle balance and $2,750 of accrued interest into 57,016,668 common shares at the contractual rate ranging from $.0004 to $.00126 per share. The balance of the convertible promissory note amounted to $365,289 and $473,684 as of December 31, 2016 and as of December 31, 2015, respectively. The debt discount was fully amortized as of September 30, 2016. The balance of the convertible promissory note net of debt discount as of December 31, 2015 amounted to $159,101.

On October 19, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,500 with a one year maturity date. This convertible debenture converts at 55% of the average of the two lowest traded prices in the prior 30 days before conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $259,764, a debt discount of $142,500 (see Note 8), and derivative expense of $117,264. The Company also recorded OID of $7,500. The OID and debt discount are being amortized over the term of the note. In December 2016 the Company adjusted the convertible promissory note’s principal balance to $157,895 per recalculation of the OID. The OID and debt discount was fully amortized as of December 31, 2016. The balance of the convertible promissory note amounted to $157,895 and $157,500 as of December 31, 2016 and as of December 31, 2015, respectively. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $38,750.

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On November 18, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,500 with a one year maturity date. This convertible debenture converts at 55% of the average of the two lowest traded prices in the prior 30 days before conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $259,764, a debt discount of $142,500 (see Note 8), and derivative expense of $117,264. The Company also recorded OID of $7,500. The OID and debt discount are being amortized over the term of the note. In December 2016 the Company adjusted the convertible promissory note's principal balance to $157,895 per recalculation of the OID. The OID and debt discount was fully amortized as of December 31, 2016. The balance of the convertible promissory note amounted to $157,895 and $157,500 as of December 31, 2016 and as of December 31, 2015, respectively. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $26,250.

On December 18, 2015 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $263,158 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $335,598, a debt discount of $237,500 (see Note 8), and derivative expense of $98,756. The Company also recorded OID of $12,500. The OID and debt discount are being amortized over the term of the note. The OID and debt discount was fully amortized as of December 31, 2016. The balance of the convertible promissory note amounted to $263,158 as of December 31, 2016 and as of December 31, 2015. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2015 amounted to $23,575.

On January 19, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $111,111 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $141,697, a debt discount of $95,000 (see Note 8), and derivative expense of $52,808. The Company also recorded OID of $5,000. The OID and debt discount are being amortized over the term of the note. In December 2016 the note holder converted $15,700 of principle balance and into 37,380,952 common shares at a contractual rate of $.00042 per share. The balance of the convertible promissory note amounted to $94,411 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $91,244.

On February 5, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,895 with a one year maturity date. This convertible debenture converts at 70% of the lowest

trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $201,359, a debt discount of $142,500 (see Note 8), and derivative expense of $59,254. The Company also recorded OID of $7,500. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $157,895 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $145,395.

On March 7, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $118,573 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $151,213, a debt discount of $112,940 (see Note 8), and derivative expense of $38,569. The Company also recorded OID of $5,632. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $118,573 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $93,869.

On April 1, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $105,263 with a six month maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $108,185, a debt discount of $95,000 (see Note 8), and derivative expense of $13,448. The Company also recorded OID of $5,000. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $105,263 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $80,263.

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On May 23, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $52,632 with a five month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $65,144, a debt discount of $47,500 (see Note 8), and derivative expense of $17,776. The Company also recorded OID of $2,500. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $32,974.

On June 24, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $78,947 with a four month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $84,205, a debt discount of $71,250 (see Note 8), and derivative expense of $15,653. The Company also recorded OID of $3,750. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $78,947 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $41,850.

On July 20, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $52,632 with an eighteen month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $56,141, a debt discount of $47,500 (see Note 8), and derivative expense of $8,641. The Company also recorded OID of $2,632. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $10,651.

On July 29, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $52,632 with an eighteen month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $56,137, a debt discount of $47,500 (see Note 8), and derivative expense of $8,637. The Company also recorded OID of $2,632 and deferred financing of $2,500. The OID, deferred

financing, and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $52,632 as of December 31, 2016. The balance of the convertible promissory note net of debt discount, deferred financing and OID as of December 31, 2016 amounted to $9,079.

On September 1, 2016 the Company executed a Securities Purchase Agreement (SPA). In connection with the SPA the Company may issue 5% original issue discount (OID) convertible promissory notes with an aggregate principal balance amounting to $157,895. In connection with the SPA, on September 1, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $157,895. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. The promissory note will be fulfilled by issuing multiple tranches. On September 1, 2016, at the closing of the first tranche, the outstanding principle amount totaled $32,895. Each tranche will have a twelve month maturity date following the issuances of the tranche. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $35,086, a debt discount of $25,000 (see Note 8), and derivative expense of $10,086. The Company also recorded OID of $7,895. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $32,895 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $5,340.

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On September 2, 2016 the Company issued a second tranche on $25,000 related to the above note. The principal balance of the second tranche was recorded as $25,000 with a twelve month maturity date. In connection herewith, the Company recorded a derivative liability of $26,665, and derivative expense of $5,165. The Company also recorded deferred financing of $3,500. The deferred financing is being amortized over the term of the note. The balance of the convertible promissory note amounted to $25,000 as of December 31, 2016. The balance of the convertible promissory note net of deferred financing as of December 31, 2016 amounted to $8,333.

On October 18, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $26,316 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $36,709, a debt discount of $25,000 (see Note 8), and derivative expense of $11,709. The Company also recorded OID of $1,316. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $26,316 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $10,965.

On October 28, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $26,316 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $36,709, a debt discount of $26,316 (see Note 8), and derivative expense of $10,393. The Company also recorded OID of $1,316. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $26,316 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $7,455.

On November 18, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $26,316 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $36,709, a debt discount of $25,000 (see Note 8), and derivative expense of $11,709. The Company also recorded OID of $1,316. The OID and debt discount are being amortized over the term of the note. The balance of the convertible promissory note amounted to $26,316 as of December 31, 2016. The balance of the convertible promissory note net of debt discount and OID as of December 31, 2016 amounted to $6,579.

On December 23, 2016 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $51,579 with a one year maturity date. This convertible debenture converts at 70% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company accounted for this conversion feature as a derivative liability. In connection herewith, the Company recorded a derivative liability of $84,398, OID of $2,579 and derivative expense of $84,398. The OID is being amortized over the term of the note. The balance of the convertible promissory note amounted to $51,579 as of December 31, 2016. The balance of the convertible promissory note net of OID as of December 31, 2016 amounted to $49,108.

During the twelve months ended December 31, 2016 and 2015 amortization of debt discount amounted to $1,721,296 and $919,034, respectively.

NOTE 8 – DERIVATIVE LIABILITY

The Company enters into financing arrangements that contain embedded derivative features due to down round (“Ratchet”) provisions or conversion formulas that cause derivative treatment. The Company accounts for these arrangements in accordance with Accounting Standards Codification topic 815, Accounting for Derivative Instruments and Hedging Activities (“ASC 815”) as well as related interpretation of this standard. In accordance with this standard, derivative instruments are recognized as either assets or liabilities in the balance sheet and are measured at fair values with gains or losses recognized in earnings. The Company determines the fair value of derivative instruments based on available market data using appropriate valuation models, considering all of the rights and obligations of each instrument.

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We estimate fair values of derivative financial instruments using various techniques (and combinations thereof) that are considered consistent with the objective measuring fair values. In selecting the appropriate technique, we consider, among other factors, the nature of the instrument, the market risks that it embodies and the expected means of settlement. For less complex derivative instruments we generally use the Black-Scholes model, adjusted for the effect of dilution, because it embodies all of the requisite assumptions (including trading volatility, estimated terms, dilution and risk free rates) necessary to fair value these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques (such as Black-Scholes model) are highly volatile and sensitive to changes in the trading market price of our common stock. Since derivative financial instruments are initially and subsequently carried at fair values, our income (expense) going forward will reflect the volatility in these estimates and assumption changes. Under the terms of the new accounting standard, increases in the trading price of the Company’s common stock and increases in fair value during a given financial quarter result in the application of non-cash derivative expense. Conversely, decreases in the trading price of the Company’s common stock and decreases in trading fair value during a given financial quarter result in the application of non-cash derivative income.

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) from December 31, 2014 to December 31, 2016:

	Conversion feature derivative liability
Balance at December 31, 2014	$1,462,984
Recognition of initial derivative liability	3,492,594
Reclass of derivative liability to additional paid in capital due to conversions	(1,196,842)
Change in fair value included in earnings	(40,494)
Balance at December 31, 2015	3,718,242
Initial fair value of derivative liability recorded as debt discount	772,118
Initial fair value of derivative liability charged to other expense	348,244
Reclass of derivative liability to additional paid in capital due to conversions	(824,742)
Change in fair value included in earnings	958,072
Balance at December 31, 2016	$4,956,637

Total derivative liability at December 31, 2016 and December 31, 2015 amounted to $4,956,637 and $3,718,242, respectively. The change in fair value included in earnings of $840,039 is due in part to the quoted market price of the Company’s common stock decreasing from $.126 at December 31, 2015 to $.001 at December 31, 2016 coupled with

substantially reduced conversion prices due to the effect of “Ratchet” provisions incorporated in convertible notes payable.

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, 2016
Expected volatility	192% - 452%
Expected term	3 – 12 months
Risk-free interest rate	0.02% - 0.09%
Expected dividend yield	0%

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NOTE 9 - STOCKHOLDERS' DEFICIT

In March 2015 the Company approved a 1-30 Reverse Stock Split and on August 2, 2016 the Company approved a 1-35 Reverse Stock split. The financial statements have been retroactively restated to reflect the August 2, 2016 Reverse Split.

In January 2015 the Company made four issuances of common shares related to the same convertible note payable. The Company issued 17,143; 18,095; 18,095 and 19,048 shares of common stock at the contractual rate of $.378 for the reduction of $6,480; at the contractual rate of $.378 for the reduction of 6,840; at $.378 for the reduction of $6,840 and at $.315 for an additional reduction of $6,000 in principal of notes payable.

In January 2015 the Company issued 9,523 shares of common stock at the contractual rate of $.1050 for the reduction of $1,000 in principal of convertible notes payable.

In January 2015 the Company issued 19,133 shares of common stock at the contractual rate of $.378 for the reduction of $7,556 in principal of convertible notes payable.

In February 2015 the Company issued 20,000; 21,905 and 23,810 shares of common stock at the contractual rate of $.315 for the reduction of $6,300; at the contractual rate of $.315 for the reduction of $6,900; and at the contractual rate of $.252 for the reduction of $6,000 in principal of convertible notes payable.

In February 2015 the Company made four issuances of common shares at contractual rates related to the same convertible note payable. The Company issued 21,178; 27,051; 29,524 and 31,365 shares of common stock at $.315 for the reduction of $6,671; at $.315 for the reduction of $8,521; at $.252 for the reduction of $7,440 and at $.189 for an additional reduction of $5,928 in principal of notes payable.

In February 2015 the Company issued 3,333 shares of common stock at fair market value of $.63 for $2,100 of services rendered.

In March 2015 the Company made two issuances of common shares at contractual rates related to the same convertible note payable. The Company issued 119 and 1,238 shares of common stock at $.945 for the reduction of $1,121 and at $.945 for the reduction of $1,170 in principal of notes payable.

In March 2015 the Company made issuances of common shares at contractual rates related to the same convertible note payable. The Company issued 138,418 shares of common stock at $.252 for the reduction of $8,720 of principal, interest and associated fees.

In March 2015 the Company made two issuances of common shares at contractual rates related to the same convertible note payable. The Company issued 1,310 and 1,565 shares of common stock at $.945 for the reduction of $1,238 and at $.945 for the reduction of $1,479 in principal of notes payable.

In March 2015 the Company issued 37,143 shares of common stock at the contractual rate of $.035 for the reduction of $1,300 in principal of convertible notes payable.

In the period of April 1, 2015 through June 30, 2015 the Company issued 4,977,930 shares of common stock at contractual rates ranging from $.0336 to $2.625 for the reduction of $265,281 in principal convertible notes payable, $8,540 in fees and $959 in the reduction of accrued interest (See Note 7).

In May 2015 the Company issued 85,714 shares of common stock at fair market value of $.49 per share, based on quoted traded prices, for compensation totaling $42,000.

In the period of July 1, 2015 through September 30, 2015 the Company issued 2,036,594 shares of common stock at contractual rates ranging from $.0483 to $.1050 for the reduction of $114,289 in principal of convertible notes payable, $156 in fees and $44,181 in the reduction of accrued interest (See Note 7).

In the period of October 1, 2015 through December 31, 2015 the Company issued 1,971,517 shares of common stock at contractual rates ranging from $.0460 to $.0805 for the reduction of $85,500 in principal of convertible notes payable and $5,250 in the reduction of accrued interest (See Note 7).

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On January 6, 2016, the Company filed an amendment to its articles of incorporation (the “Amendment”) with the Secretary of State of the State of Nevada, which, among other things, established the designation, powers, rights, privileges, preferences and restrictions of the Series A Preferred Stock, $0.001 par value per share (the “Series A Preferred Stock”). Among other provisions, each one (1) share of the Series A Preferred Stock shall have voting rights equal to (x) 0.019607 *multiplied by* the total issued and outstanding shares of common stock of the Company eligible to vote at the time of the respective vote (the “Numerator”), *divided by* (y) 0.49, *minus* (z) the Numerator. For purposes of illustration only, if the total issued and outstanding shares of common stock of the Company eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share of the Series A Preferred Stock shall be equal to 102,036 (0.019607 x 5,000,000) / 0.49) – (0.019607 x 5,000,000) = 102,036).

Fifty-one (51) shares of Series A Preferred Stock were authorized and fifty-one (51) shares of Series A Preferred Stock were issued to Roger Ralston, the Company’s Chief Executive Officer and a director of the Company (CEO). The Series A Preferred Stock was issued to the CEO and is Series A Super Voting Preferred Stock. The Super Voting was created primarily to be able to obtain a quorum and conduct business at shareholder meetings.

The Series A Preferred Stock has no dividend rights, no liquidation rights and no redemption rights, and was created primarily to be able to obtain a quorum and conduct business at shareholder meetings. All shares of the Series A Preferred Stock shall rank (i) senior to the Company’s common stock and any other class or series of capital stock of the Company hereafter created, (ii) *pari passu* with any class or series of capital stock of the Company hereafter created and specifically ranking, by its terms, on par with the Series A Preferred Stock and (iii) junior to any class or series of capital stock of the Company hereafter created specifically ranking, by its terms, senior to the Series A Preferred Stock, in each case as to distribution of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary.

In the period of January 1, 2016 through December 31, 2016 the Company issued 343,035,717 shares of common stock at contractual rates ranging from $.0004 to $.0711 for the conversion of $593,983 in principal and accrued interest of convertible notes payable (See Note 7).

In the period of October 1, 2016 through December 31, 2016 the Company issued 64,379,836 shares of common stock to employees of the Company for $60,932 in non cash compensation. In the same period the Company issued 6,379,836 shares of common stock to service professionals for $8,932 of services rendered. These shares were valued at the closing market price on the date of issuance which ranges from $.0008 to $.0015. These shares vested immediately upon issuance and accordingly their value was recorded as stock compensation expense.

NOTE 10 - RELATED PARTY TRANSACTIONS

Due to Related Parties

The following related party transactions have been presented on the balance sheet in due to related parties. During the year ended December 31, 2016 the Company repaid to the Chief Executive Officer the entire balance of the $48,478 of accrued interest due to him as of December 31, 2015 resulting in a $0 balance as of December 31, 2016.

The Company repaid $10,907 to the Chief Executive Officer and borrowed $2,484 in the second quarter of 2015. The Company repaid $140,330 to the Chief Executive Officer and borrowed $3,412 in the third quarter of 2015. In October 2015 the Company repaid $2,584 to the Chief Executive Officer. In the period of March 2016 through June 2016, the company repaid $8,334 to the Chief Executive Officer. In July 2016 the Company repaid $1,809 to the Chief Executive Officer. In July 2016 the Company repaid $1,809 to the Chief Executive Officer. In November 2016 the Company repaid $603 to the Chief Executive Officer. As of December 31, 2016 and December 31, 2015 the Company had a payable to the Chief Executive Officer of the Company amounting to $1,814 and $12,560, respectively. These advances are short-term in nature and non-interest bearing.

DIRECTVIEW HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – BARTER REVENUE

The Company provides security systems and associated installation labor in exchange for business services. The Company recognizes revenue from these barter transactions when security systems are installed and recognizes deferred barter costs as other current assets until the barter transaction is completed and then recognizes the appropriate expense. The barter revenue is valued at the fair market value which is the selling price we sell to other third parties. The barter revenue for the years ended December 31, 2016 and 2015 totaled $20,543 and $18,047, respectively.

NOTE 12 - ACCRUED PAYROLL TAXES

As of December 31, 2016 and December 31, 2015 the Company recorded a liability related to unpaid payroll taxes which includes interest and penalties of approximately $87,000 and $84,000, respectively. The liability was incurred in the years ended December 31, 2007 through December 31, 2010 as a result of the Company not remitting payroll tax liabilities. In August 2013, the Company paid $43,176 and in September 2015, the Company paid $28,281 toward the outstanding payroll tax liabilities. Such amount also includes current payroll tax liabilities and has been included in accrued expenses in the accompanying consolidated financial statements. In period of January 2011 through September 2016 the Company has filed and paid its payroll liabilities timely.

NOTE 13 - SEGMENT REPORTING

Although the Company has a number of operating divisions, separate segment data has not been presented as they meet the criteria for aggregation as permitted by ASC Topic 280, “Segment Reporting” (formerly Statement of Financial Accounting Standards (SFAS) No. 131, “Disclosures About Segments of an Enterprise and Related Information”).

Our chief operating decision-maker is considered to be our Chief Executive Officer (CEO). The CEO reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. The financial information reviewed by the CEO is identical to the information presented in the accompanying consolidated statements of operations. Therefore, the Company has determined that it operates in a single operating segment, specifically, security systems and related services. For the twelve months ended December

31, 2016 and the year ended December 31, 2015 all material assets and revenues of the Company were in the United States.

NOTE 14 – 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 estimates its net operating loss carry forward for tax purposes to be approximately $9.7 million at December 31, 2016, expiring through the year 2036. As noted below, the Company is delinquent in its income tax filings and has not reported its losses to the taxing authorities since 2010. Therefore, utilization of tax losses may be limited due to non-filing of returns for 2011, 2012, 2013, 2014 and 2015. Also, 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 filed an income tax return for the year ended December 31, 2010. Tax years ending December 31, 2016, 2015, 2014, 2013, 2012 and 2011 will be subject to IRS examination for a period of three years after the file dates, and the Company’s tax net operating loss carryforwards have not yet been established with the taxing authorities due to non-filing.

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, 2016 and 2015:

	2016	2015
Tax benefit computed at “expected” statutory rate	$(1,679,000)	$(1,531,000)
State income taxes, net of federal benefit	(168,000)	(153,000)
Stock based compensation and other permanent differences	1,193,000	1,037,000
Increase in valuation allowance	654,000	647,000
Net income tax benefit	$-	$-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2016	December 31, 2015
Deferred tax assets:		
Net operating loss carryforward	$2,957,000	$2,302,000
Accrued lease abandonment costs	63,000	63,000
Allowance for doubtful accounts	46,000	15,000
Accrued salaries	576,000	608,000
Total Deferred tax asset	3,642,000	2,988,000
Less: Valuation allowance	(3,642,000)	(2,988,000)
	$-	$-

After consideration of all the evidence, both positive and negative, management has recorded a full valuation allowance at December 31, 2016 and 2015, due to the uncertainty of realizing the deferred income tax assets. The valuation allowance was increased by $654,000 and $647,000 during 2016 and 2015, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to December 31, 2016 the Company issued 572,863,415 shares of common stock upon conversion of $144,101 of convertible promissory notes and $4,170 of accrued interest. These notes were converted at contractual rates ranging from $.00015 to $.00042.

On January 17, 2017 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $15,750 with a one year maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company will account for this conversion feature as a derivative liability. In connection herewith, the Company will record a derivative liability of $25,772, OID of $750 and derivative expense of $25,772. The OID will be amortized over the term of the note.

On February 1, 2017 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $26,316 with a four month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company will account for this conversion feature as a derivative liability. In connection herewith, the Company will record a derivative liability of $43,061, OID of $1,316 and derivative expense of $43,061. The OID will be amortized over the term of the note.

In connection with the SPA executed on September 1, 2016 (See Note 7), on February 3, 2017 and on April 10, 2017 the Company issued two 5% original issue discount (OID) convertible promissory notes with an aggregate principal balance amounting to $21,053 and $15,789, respectively. These convertible debentures convert at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory notes, the Company accounted for the conversion feature as derivative liabilities. In connection herewith, the Company recorded a derivative liability of $34,449, derivative expense of $34,449, and OID of $1,053 related to the February 3, 2017 convertible promissory note. The Company recorded a derivative liability of $25,835, derivative expense of $25,835, and OID of $789 related to the April 10, 2017 convertible promissory note. The OID for both convertible promissory notes will be amortized over the term of the notes.

On April 10, 2017 the Company issued a 5% original issue discount (OID) convertible promissory note with a principal balance of $15,789 with a six month maturity date. This convertible debenture converts at 60% of the lowest trading price during the 30 days prior to conversion. Due to certain ratchet provisions contained in the convertible promissory note the Company will account for this conversion feature as a derivative liability. In connection herewith, the Company will record a derivative liability of $25,835, OID of $789 and derivative expense of $25,835. The OID will be amortized over the term of the note.