VIEW SYSTEMS INC
Form 10-Q
May 14, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010

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

Commission file number **000-30178**

VIEW SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada

59-2928366

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1550 Caton Center Drive, Suite E, Baltimore, Maryland 21227

(Address of principal executive offices) (Zip Code)

(410) 242-8439

(Registrant's telephone number, including area code)

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 R No £

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

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

Large accelerated filer £

Accelerated filer £

Non-accelerated filer £

Smaller reporting company R

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at May 14, 2010
Common Stock, $.001 par value per share	93,903,369

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VIEW SYSTEMS, INC.

FORM 10-Q

FOR THE PERIOD ENDED MARCH 31, 2010

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Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Information included in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of View Systems, Inc. (the Company), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words may, will, should, expect, anticipate, estimate, believe, intend, or project or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the Company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the Company has no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

View Systems, Inc.
and Subsidiaries

Consolidated
Balance Sheets

March 31,

December 31,

2010

2009

(Unaudited)

ASSETS

Current Assets

Cash

$

50,924

$

70,804

Accounts Receivable (Net of Allowance of $1,000)

134,217

251,561

Inventory

7,792

7,792

Total Current
Assets

192,933

330,177

Property & Equipment (Net)

91,207

95,948

Other Assets

Licenses		
	865,904	892,144
Due from Affiliates		
	147,507	147,507
Investment		

67,500

67,500

Deposits

7,528

7,528

Total Other Assets

1,088,439

1,114,679

Total Assets	$ 1,372,579	$ 1,540,804

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	$ 509,119	$ 486,979
Accrued Expenses		

90,792

71,912

Accrued Interest

108,382

170,518

Accrued Royalties

225,000

225,000

Loans from
Shareholders

190,028

193,027

Notes Payable

516,648

637,719

Deferred Revenue

60,253

129,553

Total Current
Liabilities

1,700,222

1,914,708

Long-term Debt

Note payable	37,385	39,872
Total Liabilities	1,737,607	1,954,580

Stockholders' Equity (Deficit):

Preferred Stock, Authorized 10,000,000 Shares, $.01 Par Value,

Issued and outstanding 89,647

896

896

Common Stock, Authorized

950,000,000 Shares as of December 31, 2009

and 100,000,000 as of December 31, 2008, $.001 Par Value

Issued and Outstanding 93,903,369

93,903

-

Issued and Outstanding 79,442,369

-

79,442

Additional Paid in Capital

22,322,912

21,830,320

Retained Earnings (Deficit)

(22,782,739)

(22,324,434)

Total Stockholders' Equity (Deficit)

(365,028)

(413,776)

Total Liabilities and Stockholders' Equity	$ 1,372,579	$ 1,540,804

.

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

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View Systems, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

For the Three Months Ended

March 31,
2010
2009

Revenues, Net	
	$
	263,991
	$
	111,362
Cost of Sales	
	108,410
	41,344

Gross Profit

155,581

70,018

Operating
Expenses

Business Development	32,226	26,338
General & Administrative	106,670	101,589
Professional Fees	101,980	167,185
Salaries & Benefits	359,935	

237,123

Total Operating Expenses

600,811

532,235

Net Operating Income (Loss)

(445,230)

(462,217)

Other Income (Expense)

Interest Expense

(13,075)

(19,705)

Total Other Income (Expense)

(13,075)

(19,705)

Net Income (Loss)

$

(458,305)

$

(481,922)

Net Income
(Loss) Per
Share

$

(0.01)

$

(0.02)

Weighted Average Shares Outstanding
81,672,869
23,943,222

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

View Systems, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)

Additional

Retained

Preferred

Common

Paid-in

Earnings

Shares

Amount

Shares

Amount

Capital

(Deficit)

Balance,
December 31,
2008

89,647

$

896

17,175,222

$

17,175

$

20,460,829

$

(20,764,422)

January -
March 2009 -
shares issued
for services,

accounts
payable and
notes payable

-

-

13,536,000

13,536

527,489

-

April - June
2009 - shares
issued for
services,

accounts payable and notes payable
-
-
18,100,000
18,100
327,500
-

April - June 2009 - shares issued as an investment in stock of another company (non subsidiary)

-

-

5,000,000

5,000

327,500

-

July-September 2009 shares issued for services,

Interest expense and notes payable
-
-
5,631,147
5,631
72,002
-

October - December 2009 - shares issued for services
-
-
20,000,000
20,000
380,000
-

Net loss for the year ended December 31, 2009
-
-
-
-
-
(1,560,012)

Balance, December 31, 2009
89,647
896
79,442,369
79,442
21,830,320
(22,324,434)

January March 2010 shares issued for services,

notes payable and accrued interest

-

-

14,461,000

14,461

492,592

-

Net loss for the period ended March 31, 2010

-

-

-

-

-

(458,305)

Balance,
March 31,
2010

89,647

$

896

93,903,369

$

93,903

$

22,322,912

$

(22,782,739)

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

View Systems, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

For the Three Months Ended

March 31,

2010

2009

Cash Flows from Operating Activities:

Net Income (Loss)

$

(458,305)

$

(481,922)

Adjustments to Reconcile Net Income (Loss) to

Net Cash Provided (Used) by Operations:

Depreciation & Amortization

31,240

27,940

Common stock issued in payment of services

330,695

311,281

Change in Operating Assets and Liabilities:

(Increase) Decrease in:

Accounts Receivable

117,344

(31,523)

Inventories

-

(66,550)

Increase
(Decrease) in:

Accounts
Payable

22,162

(6,768)

Accrued
Expenses

18,880

27,549

Accrued
Interest

14,222

18,0517

Deferred Revenue	(69,300)
Accrued Royalties	-
	18,750
Net Cash Provided (Used) by Operating Activities	6,938

(182,726)

Cash Flows from Investing Activities:

Purchases of equipment

(259)

(57,599)

Net Cash Used In Investing Activities	(259)	(57,599)

Cash Flows from Financing Activities:

Loans received under a line of credit

(21,200)

196,765

Principal payments on notes payable

(2,359)

(1,547)

Loans from Shareholders

(3,000)

60,890

Net Cash Provided by

Financing Activities

(26,559)

256,108

Increase (decrease) in Cash

(19,880)

15,783

Cash and Cash Equivalents at Beginning of Period

70,804

1,768

Cash and Cash Equivalents at End of Period

$

50,924

$

17,551

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

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View Systems, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

(Unaudited)

For the Three Months Ended

March 31,

2010

2009

Non Cash
Investing and
Financing
Activities:

Notes payable paid down with common stock	$ 100,000	$ 100,000
Accrued interest paid with common stock	76,358	-
Vehicle purchase financed with note payable	-	54,041
Loans from shareholders repaid with common stock	-	3,156
Accounts payables paid with common stock		

-

118,750

Vehicle purchased with common stock

-

7,813

Cash Paid For:

Interest

$

4,150

$

$

4635

Income Taxes

$

-

$

$

-

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View Systems, Inc.

Notes to the Consolidated Financial Statements

March 31, 2010

GENERAL

View Systems, Inc. (the Company) has elected to omit substantially all footnotes to the financial statements for the three months ended March 31, 2010 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in its Annual Report filed on the Form 10-K for the year ended December 31, 2009.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

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

RE-AUDIT OF 2008 FINANCIAL STATEMENTS

We have re-audited our financial statements for the year ended December 31, 2008 as a result of the Securities and Exchange Commission s concerns that our principal accountant was not independent at the time that the audit of our 2008 financial statements was conducted. The re-audited financial statements are included in Form 10-K/A for the year ended December 31, 2008, which was filed with the Securities and Exchange Commission on January 14, 2010.

EXECUTIVE OVERVIEW

The following analysis of our consolidated financial condition and results of operations for the three months ended March 31, 2010 should be read in conjunction with the Consolidated Financial Statements and other information presented elsewhere in this quarterly report.

Overview

Management believes that heightened attention to personal threats, potential large scale destruction and theft of property in the United States along with spending by the United States government on Homeland Security will continue to drive growth in the market for security products.

Our current product lines are related to visual surveillance, intrusion detection and physical security. We introduced a new product that we call the MINI (Mobile Intelligent Network Informer). We have received multiple inquires about the need for such a device during 2008 and have invested engineering resources to create a working device. In the fall of 2009 we discovered a device in China that fit our specifications closely so we decided to enter the market with that device instead of continuing to spend our own engineering dollars. We commenced Internet sales efforts of the MINI as a distributor in February 2010.

During 2009, the Company secured significant international sales opportunities in China and the Middle East through our respective local agents. We anticipate further and substantial growth in the sale of ViewScans and our complimentary security technologies in 2010 as a result of the positive feedback we received. We will continue to work closely with our overseas agents to assist them in securing new orders. In addition we will seek new agents for as yet untapped markets for ViewScan and our range of security technologies.

On November 24, 2008 and December 26, 2008, we announced that a merger with Wytan Corp. was underway. We also announced that additional conditions to the merger closing were required by Wytan and that the merger would not occur until such time as the conditions were satisfied. Attempts to merge ceased in November 2009 and this proposed transaction was terminated. Wytan then demanded payment for its costs incurred in connection with this attempted merger. In February 2010 we agreed to pay $20,000 in installments, and we completed the final payment in April 2010.

On August 13, 2009 we announced the formation of a strategic technology partnership with Super Nova Resources designed to facilitate sales of Visisys Holdings, Plc. s VisoVue personal identity recognition system. The Company has no estimate of the impact that such a partnership may have on its revenues at this time. The project is terminated because Super Nova Resources is defunct.

We have been approached by certain entities that would make use of our public structure and/or our net tax loss carry-forward of approximately $21,800,978. However, it is our intention to continue to execute our current business plan until such time, if ever, that we conclude that an acquisition or merger will lead to greater value for our principals and shareholders. We have not entered into definite agreements or decisions about any business combination opportunities. However, we continue to explore potential merger and acquisition options.

Our strategy for 2010 will be to extend our sales and service provision. To increase sales we offer demonstrations of our products to potential customers in specific geographical areas and at region - specific trade shows, such as sheriff s conventions, court administrators meetings, civil support team, state police and dealer shows. When a demonstration results in a sale of one of our products, then we attempt to expand that market by contacting other potential customers in the area, such as, correctional facilities, courthouses and other municipal buildings.

In the short term, management plans to raise funds through sales of our common stock for fulfillment (manufacturing, packaging and shipment), which will set the stage for future orders becoming self funding. Then the next phase of our business plan will be to raise additional funds through common stock offerings to provide working capital to finance several acquisitions and the integration of new technologies and businesses. We anticipate registering in the second quarter of 2010 sufficient shares of our common stock to raise at least $2,000,000.00. We also intend to continue to strengthen our balance sheet by paying off debt either through exchange of equity for cancellation of debt obligations or the payment of debt obligations with cash.

As of March 2010, all of our outstanding equity compensation and equity incentive plans had expired by their terms.

Our current principal products and services include:

1. <u>ViewScan Concealed Weapons Detection System</u>

ViewScan, which is also sold under the name Secure Scan , is a walk-through concealed weapons detector which uses data sensing technology to accurately pinpoint the location, size and number of concealed weapons. This walk-through portal is controlled by a master processing board and a personal computer based unit which receives magnetic and video information and combines it in a manner that allows the suspected location of the weapon to be stored electronically and referenced. Because ViewScan does not produce a graphic anatomical display of a scanned person, the Company does not believe that ViewScan is susceptible to privacy concerns raised about certain personnel scanners produced by other companies.

ViewScan products are distributed in three basic configurations; stand-alone units, portable units and integrated door systems.

While electromagnetic induction systems of the type described above have been used for decades as concealed weapons detection systems, they are not without their problems. For example, such electromagnetic induction systems are generally sensitive to the overall size, i.e., surface area of the object, including its mass. Consequently, small, compact, but massive objects, such as a small pistol, may not produce a "signature" that is significantly larger than the signature produced by a light weight object of the same or greater size, such as a cell phone or compact camera. Another problem associated with electromagnetic induction systems is related to the fact that electromagnetic systems are sensitive to electrically conductive objects, regardless of whether they are magnetic or non-magnetic. That is, electromagnetic systems tend to detect non-magnetic objects, such as pocket change, just as easily as magnetic objects, such as weapons. Consequently, electromagnetic systems tend to be prone to false alarms.

In many circumstances, such false alarms need to be resolved by scanning the suspect with a hand-held detector in order to confirm or deny the presence of a dangerous weapon.

ViewScan is designed to overcome the traditional shortcomings of electromagnetic induction scanners. The ViewScan portal uses an array of advanced magnetic sensors, each with internal digital signal processors. The sensors communicate with the control unit's software which spatially places identified magnetic anomalies and visually places the location of the potential threat object with a red dot that is superimposed over a real time snapshot image of the person walking through the portal. Along with the snapshot, a graph displays the sensor data which automatically scales the signal strength of the individual sensors and cross-references them to the video image. All of this information is brought together on a video screen that displays the image of the person, the location of the weapon(s) and the size of the weapon(s), depending on the intensity of the magnetic signature. The visual image allows the operator to determine what the object is without the need to conduct a personal search to locate the object and look at it.

The ViewScan system operates faster than ordinary metal detectors and can scan as high as 1,200 persons per hour. Since the ViewScan technology does not use transmitters to produce electromagnetic induction, it does not pose a problem for pacemakers. The ViewScan self calibrates and does not need operator intervention or special calibration tools.

In 2004 we introduced the ViewScan product to the venue and stadium market. In February 2005 we tested the ViewScan at the pre-game venues of the Super Bowl football game in Jacksonville, Florida. During that installation, the portal scanned up to 3,000 to 4,000 people and at various times throughput ranged from approximately 600 to 1,200 persons per hour.

During 2005 we contracted with the University of Northern Florida to design new sensor boards for the ViewScan product which has allowed us to reduce the installed sensor cost by a factor of four. The new lower costs allow us to offer price points to the market which compete directly with traditional metal detectors.

In February 2006 we demonstrated a ViewScan product with a precision optical biometric fingerprint terminal. As expected, the demand for biometric interfaces has increased significantly. In addition to verifying that an individual is not carrying guns, knives and sometimes cameras, the units can perform multi-modal double and triple identity checks, including: fingerprint, facial, iris, drivers license and employee identification card verification.

Today we sell these units for an average retail price of approximately $9,000 with a one year extended warranty. We feel the new reduced price points and enhanced interface abilities will allow us to be more competitive, along with the advantages of three to four times the throughput rate, non-contact imaging and permanent visual storage, and a log of all individuals scanned. We have been making additional cost reductions through economies of scale and larger scale integration by taking advantage of ongoing computer component improvements.

2. Visual First Responder and Multi-Mission Mobil Video

In December 2003 View Systems obtained exclusive licensing and marketing rights for the HAZMAT CAM technology from the U.S. Department of Energy's INEL. We marketed the HAZMAT CAM under the name Visual First Responder. Visual First Responder was a lightweight, wireless camera system housed in a tough, waterproof flashlight body. The camera system was designed to transmit real-time images to a computer or video monitor at a location outside the exclusion zone or containment area. Now in its third generation, we now license the manufacture of our proprietary unit, the Multi-Mission Mobil Video (MMV). The MMV is a lightweight, wireless camera system housed in a tough, waterproof body. The camera system sends back real-time images to a computer or video monitor at the command post located outside the exclusion zone or containment area. The MMV is able to transmit high quality video in the most difficult environments. The image is received from the MMV and displayed on a monitor and can be easily recorded using a common camcorder or VCR with video input. The camera can be completely submerged for fast and easy decontamination.

The MMV also uses an Extension Link which is a separate transmitter and receiving system that increases the operating range of the MMV. The Extension Link has field-selectable channels to avoid interference at longer distances. We have also incorporated a video encryption feature that allows first responders to transmit on-scene video to the command post without the data being intercepted by unwanted parties.

The complete MMV is fully deployed by one person in a stand alone configuration in less than 10 minutes. The system is battery operated and can operate for eight continuous hours using one set of spare camera batteries. We sell this base product for approximately $9,000 retail, but the cost can be as high as $18,500 depending on additional special features such as the extension link and encryption capabilities.

This new product allows hands-free operation of the unit because it allows the person to wear the unit with a helmet mounted monocle.

3. ViewMaxx Digital Video System

ViewMaxx is a high-resolution, digital video recording and real-time monitoring system. This system can be scaled to meet a specific customer's needs by using anywhere from one camera up to 32 surveillance cameras per each ViewMaxx unit. The system uses a video capture card recording which translates closed-circuit television analog video data (a format normally used by broadcasters for national television programs) to a computer readable digital format to be stored on direct access digital disk devices rather than the conventional television format of video tape.

ViewMaxx offers programmable recording features that can eliminate the unnecessary storage of non-critical image data. This ability allows the user to utilize the digital disk storage more efficiently. The ViewMaxx system can be programmed to satisfy each customer's special requirements, be it coverage which is continuous, or only when events are detected. For example, it can be programmed to begin recording when motion is detected in a surveillance area, or a smaller field of interest within the surveillance area, and can be programmed to notify the user with an alarm or message.

Viewing of the stored digital images can be performed locally on the computer's video display unit or remotely through the customer's existing telecom systems or data network. It also uses a multi-mode search tool to quickly play back files with simple point and click operations. The search mode parameters can be set according to a specific monitoring need, such as: certain times of day, selected areas of interest in the field of view or breaches of limit areas. These features and abilities avoid the need to review an entire, or many, VCR tapes for a critical event.

Our ViewMaxx products include the following features:

.

Use any and all forms of telecommunications, such as standard telephone lines;

.

Video can be monitored 24 hours a day by a security monitoring center;

.

Local and remote recording, storage and playback for up to 28 days, with optional additional storage capability;

.

The system may be set to automatically review an area in a desired camera sequence;

.

Stores the video game image according to time or a criteria specified by the customer and retrieves the visual data selectively in a manner that the customer considers valuable or desirable;

.

The system may trigger programmed responses to events detected in a surveillance area, such as break-ins or other unauthorized breaches of the secured area;

.

Cameras can be concealed in ordinary home devices such as smoke detectors;

.

The system monitors itself to insure system functionality with alert messages in the event of covert or natural interruption; and

.

Modular expansion system configuration allows the user to purchase add-on components at a later date.

Depending on the features of a particular system the retail price can range from approximately $1,500 up to $6,500.

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4. Additional Applications and Integration of ViewScan and ViewMaxx

We also offer integration of other products with ViewScan or ViewMaxx. Biometric verification is a system for recognizing faces and comparing them to known individuals, such as employees or individuals wanted by law enforcement agencies. This product can be interfaced with ViewScan and/or ViewMaxx to limit individual access to an area. ViewScan and/or ViewMaxx can be coupled with magnetic door locks to restrict access to a particular area. We also offer a central monitoring or video command center for ViewScan or ViewMaxx products.

5. The MINI

The MINI (Mobile Intelligent Network Informer) is a portable, wireless watchdog communication device that checks for intrusion into uninhabited areas such as foreclosed houses, storage spaces and vacation homes. The MINI senses motion and sends text messages to a user's cell phone. Property and remote assets may be guarded by this innovative device that requires no plug-in electricity, no physical phone line and no monitoring service. The MINI runs on batteries and one configuration of the system can even send a photo of the intruder to the user's cell phone. Camera settings can be controlled and changed via SMS commands.

We license the MINI from its manufacturer and act as a distributor. The Company established a dedicated e-commerce platform for the direct sale of this innovative product, which went online in February 2010. As of February 2010, we are marketing the MINI to large potential users, such as real property managers, as well as to retail customers through the www.minicamsim.com website.

6. Network Services

View Systems Inc. Network Services group supplies integrated electronic security and control systems for commercial and industrial applications throughout the Mid Atlantic area.

The Network Services group specializes in the installation of complex electronic control systems which typically include access control, parking and vehicular control, closed circuit television surveillance, audio intercommunication, and proprietary alarm monitoring systems in commercial and multi-tenant residential applications. The Network Service's true specialty is the integration of two or more of these subsystems into one complete and easy to operate package with all subsystems being highly integrated and easy to manage.

The installation of fiber optic backbones is a primary focus of Network Services. Since March 2009 we have been a subcontractor of MasTec North America, Inc. for the installation of fiber optic cable networks. Using a credit line provided by Lafayette Commercial Bank, in 2009 we spent more than $200,000 to purchase tools and equipment to enhance our fiber optic installation capability. The Company secured six security / surveillance installation projects at residential complexes and commercial and government locations in the Baltimore-Washington corridor. Payment (less a 10% holdback) for our services is expected at 45 days after completion of each project.

We will continue to work with MasTec North America, Inc. on the installation of fiber cable infrastructure, as well as seek video surveillance and access control system design, installation, maintenance and support contracts in our geographical areas of proximity and strength.

7. FiberXpress, Inc.

On July 24, 2009 we entered into an asset purchase agreement to acquire FiberXpress, Inc., a company that sells specialist data network related products through its Internet web site. The transaction closed on September 15, 2009. The FiberXpress acquisition has not resulted in meaningful sales, and we are looking for suitable options.

8. Visisys Ltd .

View Systems has a strategic partnership with Visisys. Visisys and its subsidiaries enjoy an international reputation for developing and marketing intelligent video, monitoring and sensory systems. Visisys main focus is the integration of proprietary and/or estimable devices with design and applied science to provide customized applications in a number of diverse fields, such as, security, medical, retail, hospitality and financial/clerical management.

Our strategic partnership with Visisys has brought us additional video expertise and has indirectly brought us $200,000 worth of business with a public utility.

9. Training and Service Programs

W e offer support services for our products which include:

.

On site consulting/planning with customer architect and engineers,

.

Installation and technical support,

.

Training and "Train the Trainer" programs, and

.

Extended service agreements.

Subsequent Event

On April 2, 2010, by majority shareholder consent, the Company adopted its 2010 Equity Incentive Plan. Reserved for equity issuances under the Plan are 50,000,000 shares of our common stock.

RESULTS OF OPERATIONS

The following discussions are based on the consolidated financial statements of View Systems and its subsidiaries. These charts and discussions summarize our financial statements for the three months ended March 31, 2010 and 2009 and should be read in conjunction with the financial statements, and notes thereto, included with our most recent Form 10-K for the year ended December 31, 2009.

SUMMARY COMPARISON OF OPERATING RESULTS

	Three months ended March 31,	
	2010	2009
Revenues, net	263,991	111,362
Cost of sales		

108,410

41,344

Gross profit (loss)

155,581

70,018

Total operating expenses

600,811

532,235

Profit (Loss) from operations

(445,230)

(462,217)

Total other income (expense)

(13,075)

(19,705)

Net income (loss)

(458,305)

(481,922)

Net income (loss) per share

$ (0.01)

$	(0.02)

Revenue is considered earned when the product is shipped to the customer. The concealed weapons system and the digital video system each require installation and training. Training is a revenue source separate and apart from the sale of the product. In those cases revenue is recognized at the completion of the installation and training.

We have experienced a slight increase in sales of our products which resulted in a slight increase in revenues for the first quarter of 2010 compared to the first quarter of 2009. We believe the cause of that is the domestic and worldwide down turn of the economy although we received verbal indications of increased need from our international customers such as Pakistan, UAE and China. Those orders have been stalled and or cancelled; we suspect at this time that they have been canceled. We have had inquiries for quotes from India and indications of additional purchases by the United Arab Emirates. Management anticipates that revenues will resume as the general economic situation in the world improves.

Our backlog at March 31, 2010 was $210,000 up from December 31, 2009, which was $215,000. The delay between the time of the purchase order and shipping of the product results in a delay of recognition of the revenue from the sale. This delay in recognition of revenues will continue as part of our results of operations. We measure backlog as orders for which a purchase order or contract has been signed or a verbal commitment for order or delivery has been made, but which has not yet been shipped and for which revenues have not been recognized. We typically ship our products weeks or months after receiving an order. However, we are attempting to shorten this lead time to several weeks.

Also, product shipments may require more lead-time and may be delayed for a variety of reasons beyond our control, including additional time necessary to conduct product inspections prior to shipping, design or specification changes by the customer, the customer's need to prepare an installation site, and delays caused by other contractors on the project. We have a back log because we do not hold unsold units in inventory.

The increase of margins from quarter to quarter was primarily the result of decreased costs and due to an increase in volume of units shipped. Management realizes that the relative margins of each product line will increase with higher volume and decrease with lower volume.

Inflation has not been a significant factor in either our price points nor in the cost of products sold. The sales cycles are long and cross budget and annual review boundaries. The approval for purchase process is affected by both federal funds being available and state decisions interacting with local needs and review of safety and homeland security committees comprised of sheriffs, police, fire and SWAT teams. We have not found elasticity in price affecting decision for purchase or approval.

LIQUIDITY AND CAPITAL RESOURCES

We had insufficient funds to deliver our backlog in the last half of 2009. Our revenues from several product sales have been increasing and some others decreasing but are not sufficient to cover all of our operating expenses. Our auditors have expressed substantial doubt that we can continue as a going concern. We are continuing to push sales and control costs.

Historically, we have relied on revenues, debt financing and sales of our common stock to satisfy our cash requirements. For the three months ended March 31, 2010, we received cash from revenues of $263,991, repaid $21,200 on lines of credit, repaid $2,359 on notes payable, and repaid $3,000 of stockholder loans. For the three months ended March 31, 2009, we received cash from revenues of $111,362, $196,765 under a line of credit, $60,890 in loans from shareholders, and paid down $1,547 on notes payable. We will also continue to rely on the issuance of our common stock to pay for services and to debt when cash is unavailable. Management anticipates that we will continue to issue shares for services in the short term.

Our net loss for the three months ended March 31, 2010, was $458,305, as compared with a net loss of $481,922 for the three months ended March 31, 2009. Our net loss was offset by adjustments which resulted in $6,938 net cash provided by operating activities for the three months ended March 31, 2010, as compared with $182,726 net cash used in operating activities for the three months ended March 31, 2009. Our net cash used in investing activities for the three months ended March 31, 2010 was $259, as compared with $57,599 net cash used in investing activities for the three months ended March 31, 2009, both of which derived exclusively from purchases of equipment. For the three months ended March 31, 2010, our net cash was decreased by financing activities by $26,559, as compared with $256,108 net cash provided by financing activities for the three months ended March 31, 2009. For the three months ended March 31, 2010, we had a net decrease in cash of $19,880, resulting in $50,924 cash on hand, as compared with a net increase in cash of $15,783, resulting in $17,551 cash on hand for the three months ended March 31, 2009.

Management believes we will need to take the necessary steps to file a registration of common stock to fund growth and acquisitions during 2010. Our ability to take this action will depend on our ability to pay for legal, accounting, and auditing services in conjunction with a notice to shareholders. We have re-audited our financial statements for the year ended December 31, 2008 as a result of the Securities and Exchange Commission s concerns that our principal accountant was not independent at the time that the audit of our 2008 financial statements was conducted. The re-audited financial statements are included in Form 10-K/A to the 2008 10-K, which was filed with the Securities and Exchange Commission on January 14, 2010.

Management intends to finance our 2010 operations primarily with the revenue from product sales and any cash short falls will be addressed through equity or debt financing, if available. Management expects revenues will continue to increase but not to the point of profitability in the short term. We will need to continue to raise additional capital, both internally and externally, to cover cash shortfalls and to compete in our markets. At our current revenue levels management believes we will require an additional $2,000,000 during the next 12 months to satisfy our cash requirements of approximately $100,000 per month for operations and to facilitate our business plan.

These operating costs include cost of sales, general and administrative expenses, salaries and benefits and professional fees related to contracting engineers. We have insufficient financing commitments in place to meet our expected cash requirements for 2010 and we cannot assure you that we will be able to obtain financing on favorable terms. If we cannot obtain financing to fund our operations in 2010, then we may be required to reduce our expenses and scale back our operations.

Commitments and Contingent Liabilities

The Company leased office and warehouse space in Baltimore, Maryland under a six-month non-cancelable operating lease, which expired February 2010. Base rent is $3,300 per month. We continue to lease this property on a month to month basis.

Our total current liabilities increased to $1,700,222 at March 31, 2010, compared to $1,694,445 at March 31, 2009. Our current total liabilities at March 31, 2010 included accounts payable of $509,119, accrued expenses of $90,792 accrued interest of $108,382, accrued royalties of $225,000, loans from shareholders of $190,028, notes payable (short term) of $516,648, and deferred revenue of $60,253.

As of March 31, 2010, our short and long term notes payable consist of the following:

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We issued notes in the aggregate amount of $343,093 pursuant to a Subscription Agreement, dated December 23, 2005, with three accredited investors; Starr Consulting, Inc., Active Stealth, LLC, and KCS Referral Service LLC (the Subscribers). We agreed to sell and the Subscribers agreed to purchase convertible promissory notes and warrants. However, on January 6, 2006, the Subscribers consented to the removal of the warrants from the subscription agreement, with the understanding that the warrants would be reinstated after we increased our authorized common stock and the shares underlying the warrants would be registered at a later date. The Subscribers did not receive any other additional consideration for the removal of the warrants. The Subscribers agreed to purchase up to an aggregate of $500,000 of 8% promissory notes convertible into shares of our common stock at a per share conversion price of $0.10. The notes were originally to be due and payable by December 31, 2006. The Subscribers agreed to purchase the promissory notes over a 5 month period in $100,000 per month installments; however, the investment threshold was never achieved, so the conversion option of the notes was terminated and the loans became due on demand with interest at 8% per annum. As of the date of this report the investors have demanded repayment of these loans. The Company has taken steps to negotiate these defaults. In November of 2008 the holders agreed to accept shares of common stock as payment. The holders of these notes have received $181,000 in cash payments from the sale of stock received. The amount currently outstanding is approximately $162,093.

This debt was settled in principal terms subsequent to the reporting period with the Company s agreement to issue 4,500,000 shares of Company common stock. The stock has not been issued pending negotiation of additional terms of the proposed settlement.

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We issued unsecured convertible loans from two stockholders in the principal amount of $216,000.

The first loan of $100,000 was due in full on November 1, 2007 with interest at 7%. In August 2009, the Holder sued the Company to enforce the note, and in January 2010 the Holder agreed to accept 3,500,000 common shares in payment of principal and interest on the note and litigation related fees, costs, and post-judgment interest. The total due under this loan at the date of settlement was $163,366.27. Should the holder not realize $163,366.27 from the sale of 3,500,000 shares, then he will be granted additional shares to resolve any shortfall, provided his sales have been in good faith.

The holder of the second note of $116,000 has been receiving interest payments irregularly in the form of cash and common stock. The amount currently outstanding is $119,480.

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We have a line of credit arranged for and secured by our Director Dr. Bagnoli in the amount of $200,000 of which the outstanding balance is $178,800. Interest is payable monthly at 7% per annum and the loan is due during 2010. The line of credit was used to purchase inventory and equipment for our fiber optics business.

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We have two vehicles financed in 2009 through Chase Auto Finance in the principal amounts of $22,087, and $25,052 respectively. Combined payments are $1,003 per month which includes interest at 5.34%. The loans are for 60 months with the final payments due in July 2014.

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We are in default of a September 18, 2009 demand loan payable to an investor which was due December 17, 2009 in the amount of $50,000. Interest has accrued at 5% per month since December 17, 2009.

Off-Balance Sheet Arrangements

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

Contractual Obligations

As a smaller reporting company as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates of particular significance in our financial statements include annual tests for impairment of our licenses. These estimates could likely be materially different if events beyond our control, such as changes in government regulations that affect the usefulness of our licenses or the introduction of new technologies that compete directly with our licensed technologies affect the value of our licenses.

We first determine the value of the license using a projected cash-flow analysis to determine the present value of cash flows. The test is done using assumptions as to various scenarios of increases and decreases in the revenue stream and applying a discount rate of 6%. If the value achieved under these various methods is less than the carrying value of the assets then it is considered that an impairment has occurred and the asset s carrying value is adjusted to reflect the impairment.

Management also makes estimates on the useful life of our licenses based on the following criteria:

· Whether other assets or group of assets are related to the useful life of the licenses,

· Whether any legal, regulatory or contractual provisions will limit the use of the assets,

· We evaluate the cost of maintaining the license,

· We consider the possible effects of obsolescence, and

· Whether there is maintenance or any other costs associated with the license.

Changes in Authorized Capital Stock and Terms of Preferred Stock

Effective March 29, 2010, we increased our authorized common stock from 100,000,000 shares to 950,000,000 shares. We also authorized conversion rights to the Company s Series A Preferred Stock into Common Stock at a ratio of 15:1. In addition to certain technical corrections, we also renumbered our Articles of Incorporation. A complete copy of our Amended and Restated Articles of Incorporation is attached as Exhibit 3(i).1 to this quarterly report. A summary of the significant amendments to the Amended and Restated Articles of Incorporation is as follows:

Change of the Terms and Designation of Series A Preferred Stock to Series A Convertible Preferred Stock

Article II of the Amended Articles of Incorporation is amended by changing:

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The number of shares of Authorized Common Stock to 950,000,000.

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Section 4, entitled, Series A Convertible Preferred Stock , by changing the title of this section to reflect the forthcoming convertible nature of the Series A Preferred Stock (the "Series A Convertible Preferred Stock").

Article II of the Amended Articles of Incorporation is amended by adding:

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Section 3, which provides general authority for the issuance of preferred stock.

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Section 4.D.1., entitled, Optional Conversion, which states that the each holder of shares of Series A Convertible Preferred Stock shall have the right, at the holder s option, to convert all or any portion of such Series A Convertible Preferred Stock into shares of Common Stock.

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Section 4.D.1.i., entitled, Conversion Ratio, which states each share of Series A Convertible Preferred Stock shall be convertible into 15 fully paid and non-assessable shares of Common Stock.

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Section 4.D.1.ii., entitled, Mechanics of Optional Conversion, which states:

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The holders of any shares of Series A Convertible Preferred Stock may exercise their conversion rights by surrendering to the Corporation or any transfer agent of the Corporation the certificates for the shares to be converted, accompanied by written notice that the shareholder elects to convert all or a specified portion of the shares represented;

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The Stock Conversion Date is the date on which the notice of election to convert is delivered;

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As promptly as practicable after receiving the notice of election to convert, the Corporation shall issue and deliver to such holders a certificate or certificates for the number of full shares of Common Stock to which such holders are entitled;

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The person in whose name the certificate or certificates of Common Stock are to be issued shall be deemed to have become a holder of record of such Common Stock on the applicable Conversion Date.

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Section 4.D.1.iii., entitled, Fractional Shares, which states that no fractional shares of Common Stock shall be issued upon conversion of Series A Preferred Stock to Common Stock. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion, the number of full shares of Common Stock shall be rounded down to the closest whole number of shares.

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Section 4.D.2., entitled, Required Conversion, which states:

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The Corporation may, at its option, cause all of the then outstanding shares of Series A Convertible Preferred Stock to be converted into Common Stock on the terms set forth in Section 4.D.1. of the Amended and Restated Articles of Incorporation;

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as long as the conversion is prior to the Corporation transferring all or substantially all of its assets or merging with or into another entity;

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to do so, the Corporation must deliver notice of such conversion to the holders of Series A Convertible Preferred Stock;

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upon delivery to the Corporation of certificates representing such shares of Series A Convertible Preferred Stock;

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the Corporation shall request that each holder of Series A Convertible Preferred Stock deliver the stock certificates representing such Series A Convertible Preferred Stock in exchange for a stock certificate representing the Common Stock receivable upon conversion of the Series A Convertible Preferred Stock, but if the stock certificate representing the Series A Convertible Preferred Stock is not returned to the Corporation, it shall thereafter represent only the Common Stock into which the Series A Convertible Preferred Stock converted.

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Section 5, which grants general authority to create and issue rights, warrants or options.

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Section 6, which authorizes the Board of Directors to determine the adequacy of the consideration given for the issuance of capital stock, stock rights, or options, provides that the Board of Directors judgment in this regard shall be conclusive, in the absence of fraud, and provides that the Articles shall not be amended in this particular.

Increase in Authorized Common Shares

Each of the newly authorized shares of Common Stock has the same rights and privileges as previously authorized Common Stock. The new shares, like the previously authorized shares, do not have preemptive rights. The Amendment did not change the par value of the Common Stock.

The Company's Board of Directors and majority shareholders approved an increase in the number of authorized shares of outstanding Common Stock from 100,000,000 shares of Common Stock, $.001 par value, to 950,000,000 shares of Common Stock, $.001 par value. The purpose of the amendment was to enable sufficient authorized, but unissued, Common Stock for future financing purposes.

Prior to the Record Date, the Company had authorized 10,000,000 shares of Series A Preferred Stock, of which 89,647 Series A Shares are outstanding. Each share of Series A Preferred Stock had voting rights equal to fifteen (15) shares of Common Stock, a ratio of 15:1, which in the aggregate amounted to voting rights of 150,000,000 Common Shares, which exceeded the authorized amount of Common Shares and rights to vote Common Shares by 50,000,000.

While the change to the Series A Preferred Stock did not affect the total number of shares of authorized Series A Preferred stock, the change enabled all of the Series A Preferred Stock to be converted into an aggregate of 150,000,000 shares of Common Stock, at a Conversion Ratio of 15:1. The conversion ratio is not subject to change. The change also allowed the Series A Preferred Stock to be re-issuable; whereas previously any Series A Preferred Shares that were cancelled could not be reissued.

The additional 850,000,000 shares of Common Stock authorized may be utilized for public and private issuances of Common Stock or other securities convertible into Common Stock in connection with financing transactions, acquisitions or other corporate transactions, as well as stock dividends, warrants, stock option plans and other stock-based incentive or compensation programs. The availability of additional shares of Common Stock for issuance, without delay and expense of obtaining stockholder approval, will afford the Company greater flexibility in acting upon opportunities and transactions which may arise in the future.

The proposed increase in the authorized number of shares of Common Stock could have a number of effects on the Company's stockholders depending on the exact nature and circumstances of any actual issuances of authorized but unissued and unreserved shares. The increase could deter takeovers, in that additional shares could be issued (within the limits imposed by applicable law) in one or more transactions that could make a change in control or takeover of the Company more difficult. For example, additional shares could be issued by the Company so as to dilute the stock ownership or voting rights of persons seeking to obtain control of the Company. Similarly, the issuance of additional shares to certain persons allied with the Company's management could have the effect of making it more difficult to remove the Company's current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. The Company is not aware of any efforts to accumulate the Company s securities and to obtain control of the Company and has no present intention or agreement requiring the issuance of any additional shares of Common Stock other than as described herein, and other than as provided in the Company s equity incentive and compensation plans. The Company has no present intention of soliciting a stockholder vote on any proposal, or series of proposals, to deter takeovers. In addition, an issuance of additional shares by the Company could have an effect on the potential realizable value of a stockholder's investment. In the absence of a proportionate increase in the Company's earnings and book value, a future increase in the aggregate number of outstanding shares of the Company caused by the issuance of the additional shares would dilute the earnings per share and book value per share of all outstanding shares of the Company's Common Stock. If such factors were reflected in the price per share of Common Stock, the potential realizable value of a stockholder's investment could be adversely affected. The Board, within the limitations and restrictions contained in the Amended Articles of Incorporation and without further action by the Company's holders of Common Stock, has the authority to issue Common Stock from time to time. This proposal does not affect any rights, privileges, powers or preferences of any of the Company s common stockholders.

No dissenting stockholder will have a right of appraisal or right to receive payment for his stock by reason of such dissent.

Risk Factors, including Going Concern Opinion

You should carefully consider the risks, uncertainties and other factors identified below because they could materially and adversely affect our business, financial condition, operating results and prospects and could negatively affect the market price of our Common Stock. Also, you should be aware that the risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we do not yet know of, or that we currently believe are immaterial, may also impair our business operations and financial results. Our business, financial condition or results of operations could be harmed by any of these risks. The trading price of our Common Stock could decline due to any of these risks, and you may lose all or part of your investment.

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In assessing these risks you should also refer to the information contained in or incorporated by reference to our Form 10-K for the year ended December 31, 2009, including our financial statements and the related notes thereto.

WE HAVE EXPERIENCED HISTORICAL LOSSES AND A SUBSTANTIAL ACCUMULATED DEFICIT. IF WE ARE UNABLE TO REVERSE THIS TREND, WE WILL LIKELY BE FORCED TO CEASE OPERATIONS.

We have incurred losses for the past two fiscal years which consists of a net loss of $1,560,012 for 2009 and had a net loss of $458,305 for the three months ended March 31, 2010. In addition, at March 31, 2010, the Company had a retained deficit of $22,782,739. Our operating results for future periods will include significant expenses, including new product development expenses, potential marketing costs, professional fees and administrative expenses, and will be subject to numerous uncertainties. As a result, we are unable to predict whether we will achieve profitability in the future, or at all.

WE HAVE A WORKING CAPITAL DEFICIT AND SIGNIFICANT CAPITAL REQUIREMENTS. SINCE WE WILL CONTINUE TO INCUR LOSSES UNTIL WE ARE ABLE TO GENERATE SUFFICIENT REVENUES TO OFFSET OUR EXPENSES, INVESTORS MAY BE UNABLE TO SELL OUR SHARES AT A PROFIT OR AT ALL.

The Company has a net loss of $158,305 for the three months ended March 31, 2010 and net cash used in operations of $6,938 for the three months ended March 31, 2010. Because the Company has not yet achieved or acquired sufficient operating capital and given these financial results along with the Company s expected cash requirements in 2010, additional capital investment will be necessary to develop and sustain the Company s operations.

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM HAS RAISED DOUBT OVER OUR CONTINUED EXISTENCE AS A GOING CONCERN.

We have incurred substantial operating and net losses, as well as negative operating cash flow and do not have financing commitments in place to meet expected cash requirements for the next twelve months.

Our net loss for the quarter ending March 31, 2010 was $458,305 and our net loss for the quarter ending March 31, 2009 was $481,922. Our retained deficit was $22,782,739 at March 31, 2010. We are unable to fund our day-to-day operations through revenues alone and management believes we will incur operating losses for the near future while we expand our sales channels. While we have expanded our product line and expect to establish new sales channels, we may be unable to increase revenues to the point that we attain and are able to maintain profitability. As a result we rely on private financing to cover cash shortfalls.

As a result, we continue to have significant working capital and stockholders deficits including a substantial accumulated deficit at March 31, 2010. In recognition of such, our independent registered public accounting firm has included an explanatory paragraph in its report on our consolidated financial statements for the fiscal years ended December 31, 2009 and December 31, 2008 that expressed substantial doubt regarding our ability to continue as a going concern.

WE NEED ADDITIONAL EXTERNAL CAPITAL AND IF WE ARE UNABLE TO RAISE SUFFICIENT CAPITAL TO FUND OUR PLANS, WE MAY BE FORCED TO DELAY OR CEASE OPERATIONS.

Based on our current growth plan we believe we may require approximately $2,000,000 in additional financing within the next twelve months for operations and to develop our sales channels. Our success will depend upon our ability to access equity capital markets and borrow on terms that are financially advantageous to us. However, we may not be able to obtain additional funds on acceptable terms. If we fail to obtain funds on acceptable terms, then we might be forced to delay or abandon some or all of our business plans or may not have sufficient working capital to develop products, finance acquisitions, or pursue business opportunities. If we borrow funds, then we could be forced to use a large portion of our cash reserves, if any, to repay principal and interest on those loans. If we issue our securities for capital, then the interests of investors and stockholders will be diluted.

WE ARE CURRENTLY DEPENDENT ON THE EFFORTS OF RESELLERS FOR OUR CONTINUED GROWTH AND MUST EXPAND OUR SALES CHANNELS TO INCREASE OUR REVENUES AND FURTHER DEVELOP OUR BUSINESS PLANS.

We are in the process of developing and expanding our sales channels, but we expect overall sales to remain down as we develop these sales channels. We are actively recruiting additional resellers and dealers and have hired in-house sales personnel for regional and national sales. We must continue to find other methods of distribution to increase our sales. If we are unsuccessful in developing sales channels we may have to abandon our business plan.

WE MAY NOT BE ABLE TO COMPETE SUCCESSFULLY IN OUR MARKET BECAUSE WE HAVE A SMALL MARKET SHARE AND COMPETE WITH LARGE NATIONAL AND INTERNATIONAL COMPANIES.

We estimate that we have less than a 1% market share of the surveillance and weapons detection market. We compete with many companies that have greater brand name recognition and significantly greater financial, technical, marketing, and managerial resources. The position of these competitors in the market may prevent us from capturing more market share. We intend to remain competitive by increasing our existing business through marketing efforts, selectively acquiring complementary technologies or businesses and services, increasing our efficiency, and reducing costs.

WE MUST SUCCESSFULLY INTRODUCE NEW OR ENHANCED PRODUCTS AND MANAGE THE COSTS ASSOCIATED WITH PRODUCING SEVERAL PRODUCT LINES TO BE SUCCESSFUL.

Our future success depends on our ability to continue to improve our existing products and to develop new products using the latest technology that can satisfy customer needs. For example, our short term success will depend on the continued acceptance of the Visual First Responder and the ViewScan portal product line. We cannot be certain that we will be successful at producing multiple product lines and we may find that the cost of production of multiple product lines inhibits our ability to maintain or improve our gross profit margins. In addition, the failure of our products to gain or maintain market acceptance or our failure to successfully manage our cost of production could adversely affect our financial condition.

OUR DIRECTORS AND OFFICERS ARE ABLE TO EXERCISE SIGNIFICANT INFLUENCE OVER MATTERS REQUIRING STOCKHOLDER APPROVAL.

Currently, our directors and executive officers collectively hold approximately 46.1% of the voting power of our common and 100% of the preferred stock entitled to vote on any matter brought to a vote of the stockholders. Including the effects of Gunther Than s, our CEO s, voting preferred stock, our directors and officers have the power to vote approximately 46.8% of common shares (based on the assumed effects of conversion of all of Mr. Than s preferred stock) as of the date of this report. Pursuant to Nevada law and our bylaws, the holders of a majority of our voting stock may authorize or take corporate action with only a notice provided to our stockholders. A stockholder vote may not be made available to our minority stockholders, and in any event, a stockholder vote would be controlled by the majority stockholders.

FAILURE TO ACHIEVE AND MAINTAIN EFFECTIVE INTERNAL CONTROLS IN ACCORDANCE WITH SECTION 404 OF THE SARBANES-OXLEY ACT WOULD LEAD TO LOSS OF INVESTOR CONFIDENCE IN OUR REPORTED FINANCIAL INFORMATION.

Pursuant to proposals related to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our Annual Report on Form 10-K for the fiscal year ending December 31, 2008, we will be required to furnish a report by our management on our internal control over financial reporting. If we cannot provide reliable financial reports or prevent fraud, then our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

In order to achieve compliance with Section 404 of the Act within the prescribed period, we will need to engage in a process to document and evaluate our internal control over financial reporting, which will be both costly and challenging. In this regard, management will need to dedicate internal resources, engage outside consultants and adopt a detailed work plan.

During the course of our testing we may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud.

THERE IS NO SIGNIFICANT ACTIVE TRADING MARKET FOR OUR SHARES, AND IF AN ACTIVE TRADING MARKET DOES NOT DEVELOP, PURCHASERS OF OUR SHARES MAY BE UNABLE TO SELL THEM PUBLICLY.

There is no significant active trading market for our shares and we do not know if an active trading market will develop. An active market will not develop unless broker-dealers develop interest in trading our shares, and we may be unable to generate interest in our shares among broker-dealers until we generate meaningful revenues and profits from operations. Until that time occurs, if it does at all, purchasers of our shares may be unable to sell them publicly. In the absence of an active trading market:

· Investors may have difficulty buying and selling our shares or obtaining market quotations;

· Market visibility for our common stock may be limited; and

· A lack of visibility for our common stock may depress the market price for our shares.

THE SUCCESS OF OUR BUSINESS DEPENDS UPON THE CONTINUING CONTRIBUTION OF OUR KEY PERSONNEL, INCLUDING MR. GUNTHER THAN, OUR CHIEF EXECUTIVE OFFICER, WHOSE KNOWLEDGE OF OUR BUSINESS WOULD BE DIFFICULT TO REPLACE IN THE EVENT WE LOSE HIS SERVICES.

Our operations are dependent on the efforts and relationships of Gunther Than and the senior management of our organization. We will likely be dependent on the senior management of our organization for the foreseeable future. If any of these individuals becomes unable to continue in their role, our business or prospects could be adversely affected. For example, the loss of Mr. Than could damage customer relations and could restrict our ability to raise additional working capital if and when needed. There can be no assurance that Mr. Than will continue in his present capacity for any particular period of time.

OUR COMMON STOCK IS CONSIDERED TO BE "PENNY STOCK."

Our common stock is considered to be a "penny stock" because it meets one or more of the definitions in Rules 15g-2 through 15g-6 promulgated under Section 15(g) of the Securities Exchange Act of 1934, as amended. These include but are not limited to, the following: (i) the stock trades at a price less than $5.00 per share; (ii) it is not traded on a "recognized" national exchange; (iii) it is not quoted on The NASDAQ Stock Market, or even if quoted, has a price less than $5.00 per share; or (iv) is issued by a company with net tangible assets less than $2.0 million, if in business more than a continuous three years, or with average revenues of less than $6.0 million for the past three years. The principal result or effect of being designated a "penny stock" is that securities broker-dealers cannot recommend the stock but must trade it on an unsolicited basis.

BROKER-DEALER REQUIREMENTS MAY AFFECT TRADING AND LIQUIDITY.

Section 15(g) of the Securities Exchange Act of 1934, as amended, and Rule 15g-2 promulgated thereunder by the SEC require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in our common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be "penny stocks." Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for holders of our common stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

OUR COMMON STOCK MAY BE VOLATILE, WHICH SUBSTANTIALLY INCREASES THE RISK THAT YOU MAY NOT BE ABLE TO SELL YOUR SHARES AT OR ABOVE THE PRICE THAT YOU MAY PAY FOR THE SHARES.

Because of the limited trading market expected to develop for our common stock, and because of the possible price volatility, you may not be able to sell your shares of common stock when you desire to do so. The inability to sell your shares in a rapidly declining market may substantially increase your risk of loss because of such illiquidity and because the price for our common stock may suffer greater declines because of its price volatility.

The price of our common stock may be higher or lower than the price you may pay. Certain factors, some of which are beyond our control, that may cause our share price to fluctuate significantly include, but are not limited to, the following:

· variations in our quarterly operating results;

· loss of a key relationship or failure to complete significant transactions;

· additions or departures of key personnel; and

· fluctuations in stock market price and volume.

Additionally, in recent years the stock market in general, and the over-the-counter markets in particular, have experienced extreme price and volume fluctuations. In some cases, these fluctuations are unrelated or disproportionate to the operating performance of the underlying company. These market and industry factors may materially and adversely affect our stock price, regardless of our operating performance.

In the past, class action litigation often has been brought against companies following periods of volatility in the market price of those companies' common stock. If we become involved in this type of litigation in the future, it could result in substantial costs and diversion of management attention and resources, which could have a further negative effect on your investment in our stock.

WE HAVE NOT PAID, AND DO NOT INTEND TO PAY, CASH DIVIDENDS IN THE FORESEEABLE FUTURE.

We have not paid any cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and expansion of our business. Dividend payments in the future may also be limited by other loan agreements or covenants contained in other securities which we may issue. Any future determination to pay cash dividends will be at the discretion of our board of directors and depend on our financial condition, results of operations, capital and legal requirements and such other factors as our board of directors deems relevant.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer/Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of March 31, 2010. Based on such evaluation, we have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer/Principal Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Management of the Company has evaluated, with the participation of the Company s Chief Executive Officer/Chief Financial Officer, changes in the Company s internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the first quarter of 2010. In connection with such evaluation, there have been no changes to the Company s internal control over financial reporting that occurred since the beginning of the Company s first quarter of 2010 that have materially affected, or are reasonably likely to materially affect the Company s internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

Between January 1, 2010 to May 14, 2010, we issued an aggregate of 4,461,000 shares of our unregistered common stock, as follows:

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On January 28, 2010 we issued 3,500,000 shares at $.0467 per share to Allen Bender in settlement of litigation to enforce the terms of a convertible promissory note plus costs of litigation, attorney s fees, and post-judgment interest in the total amount of $163,366.27.

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On February 17, 2010, we issued 500,000 shares at $0.03 per share to William Paul Price as compensation for his services rendered as an employee.

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On February 22, 2010, we issued 461,000 shares at $0.0622 per share to William D. Smith as payment of interest on a note.

The shares were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. OTHER INFORMATION

Effective March 29, 2010, we increased our authorized common stock from 100,000,000 shares to 950,000,000 shares. We also authorized conversion rights to the Company s Series A Preferred Stock into Common Stock at a ratio of 15:1. In addition to certain technical corrections, we also renumbered our Articles of Incorporation. A summary of the changes to our capital structure and the terms of our preferred stock is set forth above under Item 2 - Management s Discussion and Analysis of Financial Condition and Results of Operations and is incorporated in this Item 5 by reference. Also, a complete copy of our Amended and Restated Articles of Incorporation is attached as Exhibit 3(i).1 to this quarterly report.

After the reporting period, on April 2, 2010, our majority shareholders approved the Company s 2010 Equity Incentive Plan, which reserves 50,000,000 shares of Company common stock for issuance under the Plan. A copy of the Plan is attached to this report as Exhibit 10.1.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Form 10-Q:

3(i).1

Amended and Restated Articles of Incorporation

4.2

Subscription Agreement between View Systems, Inc. and Starr Consulting, Inc., Active Stealth, LLC, and KCS Referral Service LLC, dated December 23, 2005 *

10.1

View Systems, Inc. 2010 Equity Incentive Plan

10.2

Employment agreement between View Systems, Inc. and Gunther Than, dated December 1, 2009 **

10.3

Subcontractor Agreement dated March 9, 2009 between MasTec North America, Inc. and View Systems, Inc. ***

31.1

Rule 13a-15(e)/15d-15(e) Certification by the Chief Executive Officer and Chief Financial Officer

32.1

Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Incorporated by reference to exhibit 4.1 of Form 8-K, filed January 6, 2006.

** Incorporated by reference to exhibit 10.1 to Form 8-K, filed January 11, 2010.

*** Incorporated by reference to exhibit 10.3 for Form 10-Q, Amendment No. 1, for the period ended March 31, 2009.

SIGNATURES

Pursuant to the requirements 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.

VIEW SYSTEMS, INC.

Date: May 14, 2009

By:

/s/ Gunther Than

Gunther Than

Chief Executive Officer

(Principal executive officer, principal financial officer, and principal accounting officer)