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VIEW SYSTEMS INC
Form SB-2/A
February 02, 2006

As filed with the Securities and Exchange Commission on February __, 2006
Registration No. 333-128956

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

Form SB-2/A
Pre-effective Amendment No.1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VIEW SYSTEMS, INC.
(Name of small business issuer in its charter)

| | | |
|--------------------------|---|---|
| Nevada | 3812 | 59-2928366 |
| (State of incorporation) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

1550 Caton Center Drive, Suite E
Baltimore, Maryland 21227
Telephone: (410) 242-8439
(Address and telephone number of principal executive offices
and principal place of business)

Gunther Than, CEO
View Systems, Inc.
1550 Caton Center Drive, Suite E
Baltimore, Maryland 21227
Telephone: (410) 242-8439
(Name, address and telephone number of agent for service)

Copies to:
Cindy Shy, Attorney
Cindy Shy, P.C.
P.O. Box 380-236
Ivins, Utah 84738
Telephone: (435) 674-1282

Approximate date of proposed sale to the public: As soon as practicable after
this registration statement becomes effective.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following
box and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under
the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. []

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THIS COMBINED PROSPECTUS RELATES TO OUR REGISTRATION STATEMENT
ON FORM SB-2, FILE NO. 333-118043

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box. []

If any of these securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered | Amount to be registered(1) | Proposed maximum offering price per unit(2) | Proposed maximum aggregate offering price | Amount of registration fee |
|--|----------------------------|---|---|----------------------------|
| Common Stock | 9,439,999 | \$ 0.138 | \$ 1,302,719.86 | \$ 24.91(3) |

- (1) This registration statement covers the resale by certain selling stockholders of up to an aggregate of 9,439,999 shares of View Systems, Inc. common stock. Of the aggregate shares, 170,000 shares are being carried forward from Form SB-2, File No. 333-118043.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act, based on the average of the high and low prices of the common stock as of January 30, 2006.
- (3) The registration fee of \$139.39 has been reduced by a filing fee View Systems, Inc. previously paid of \$2.80 for the 170,000 shares which are carried forward from the Form SB-2, File No. 333-118043, and by the filing fee of \$111.68 that View Systems, Inc. paid with the initial filing of this registration statement.

View Systems, Inc. hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until we shall file a further amendment which specifically states that this registration statement shall become effective in accordance with Section 8(a) of the Securities Acts of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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PROSPECTUS

| SUBJECT TO COMPLETION |
| The information in this prospectus is not complete and may be changed. |
| The selling stockholders may not sell these securities until the |
| registration statement filed with the Securities and Exchange Commission |
| is effective. This prospectus is not an offer to sell these securities |
| and it is not soliciting an offer to buy these securities in any state |
| where the offer or sale is not permitted. |

View Systems, Inc.
a Nevada corporation

9,439,999 shares of common stock

We are registering 9,439,999 shares of our common stock which will be sold by selling stockholders who are named in this prospectus. We will not receive the proceeds from the sale of these common shares.

| | Per share | Aggregate |
|--|-----------|--------------|
| Estimated price to public | \$ 0.138 | \$ 1,302,720 |
| Estimated average proceeds to selling stockholders | \$ 0.138 | \$ 1,302,720 |

Trading Symbol on the OTC Bulletin Board
"VYST"

Common stock prices as reported by the OTC Bulletin Board on January 30, 2006,
\$0.145 high bid and low ask \$0.13.

This investment involves a high degree of risk,
you should review the "Risk Factors" beginning on page 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus dated February __, 2006

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PROSPECTUS SUMMARY

View Systems, Inc.
1550 Caton Center Drive, Suite E
Baltimore, Maryland 21227
Telephone: (410) 242-8439

The Company

View Systems, Inc. develops, produces and markets computer software and hardware systems for security and surveillance applications. Our principal products include a concealed weapons detection system, a hazardous material first response wireless video transmitting system and digital video recorder technology. We also offer biometric verification systems, magnetic door locks and central monitoring or video command centers which can be combined with our principal products.

We are unable to fund our operations on revenues alone and we have incurred losses for the past two fiscal years. Our auditors have expressed substantial doubt that we can continue as a going concern based on these operating losses. Management believes we will incur operating losses for the near future while we continue to develop our sales and marketing channels. We have obtained debt financing that we anticipate will likely cover operating expenses for the first six month of 2006, but we will need to raise an additional \$500,000 through equity or debt transactions to continue our operations for the next twelve months.

The Offering

We are registering 9,439,999 common shares to be sold by selling stockholders, who are identified in the "Selling Stockholders" section starting on page 27. We have agreed to register these shares under agreements and transactions we have entered into with the selling stockholders or upon the approval of our board of directors. These agreements and transactions are described in more detail in "Selling Stockholders - Transactions Related to the Selling Stockholders," starting on page 29.

We will not receive any of the proceeds from the sale of the shares which are being registered for the selling stockholders. These shares will be sold from time to time at the total discretion of the selling stockholders. See "Plan

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of Distribution" starting on page 31 for further details about the possible methods of sale which may be used by the selling stockholders.

| | |
|---|------------|
| Shares of common stock outstanding as of January 31, 2006 | 90,442,422 |
| Shares of common stock to be registered | 9,439,999 |
| Common stock outstanding after the offering | 98,467,421 |

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References in this prospectus to "View Systems," "we," "us," and "our" refer to View Systems, Inc. and its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission ("SEC") encourages companies to disclose forward-looking information so that investors can better understand future prospects and make informed investment decisions. This prospectus contains these types of statements. Words such as "may," "expect," "believe," "anticipate," "estimate," "project," or "continue" or comparable terminology used in connection with any discussion of future operating results or financial performance identify forward-looking statements. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this prospectus. All forward-looking statements reflect our present expectation of future events and are subject to a number of important factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The factors listed in the "Risk Factors" section of this prospectus, as well as any cautionary language in this prospectus, provide examples of these risks and uncertainties.

RISK FACTORS

Potential investors should carefully consider the following risk factors before deciding to buy our common stock. Each investor should also consider the other information in this prospectus. Investing in our common stock involves a high degree of risk and you should not invest in our common stock unless you can afford to lose your entire investment.

RISKS RELATED TO THE OFFERING AND OUR STOCK PRICE

We have not paid cash or stock dividends on our common stock and this may discourage potential investors from purchasing our shares.

Potential investors should not anticipate receiving dividends from our common stock. We intend to retain future earnings to finance our growth and development and do not plan to pay cash or stock dividends. This lack of dividend potential may discourage potential investors who are seeking higher returns on their investments through dividends from purchasing our common stock. This lack of interest from potential investors seeking dividend returns may decrease the pool of investors in the market for the common stock being sold by the selling stockholders.

The nature of our business makes it difficult to predict our revenues and operating results, which may negatively affect our stock price.

We currently are unable to fund our operations through revenues generated

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by product sales and we have consistently incurred losses since our formation. Our revenues and operating results have varied significantly from period to period and it is possible that our quarterly operating results from time to time will be below the expectations of public market investors. In that case, we expect that the price of our common stock would be materially and adversely affected. Although we expect that the development of new sales channels will cause our earnings to become more predictable, our revenues and operating results can be expected to fluctuate somewhat for a variety of reasons beyond our control, including, but not limited to:

- .. Changes in the volume or timing of product orders;
- .. Competitive pressures resulting in lower selling prices;
- .. Purchase order delays by customers subject to prior governmental or regulatory approval for purchases;
- .. Our failure to obtain necessary funding to further develop our business plan; and
- .. New products and technologies launched by our competitors.

The future sale of common stock may negatively affect our stock price and pose investment risks.

The market price of our common stock could drop as a result of sales of the common stock in the market after the

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effective date of this registration statement, or the perception that such sales could occur. We are registering 9,439,999 shares of our common stock and if the selling stockholders attempt to sell their shares into our market at the same time, this could drive down the market price of our common stock. A drop in the market price for our common stock may make it more difficult for us to raise funds through future offerings of our common stock.

Investors may have difficulty selling our shares due to penny stock rules.

Our common stock is traded on the OTC Bulletin Board and there has not been a large public market for our common stock. We do not know the extent to which investor interest in our stock will lead to the development of an active trading market for our stock, or how liquid that market might be. Also, our common stock qualifies as a "penny stock" under the Penny Stock Suitability Reform Act of 1990 based on its market value and our net tangible assets. The liquidity of penny stock is affected by specific disclosure procedures that must be followed by all broker and dealers related to a penny stock transaction. The rules require delivery by brokers and dealers of a disclosure schedule before any transaction in a penny stock. The broker and dealers must determine the suitability of the stock for a particular customer and obtain a written agreement from the customer to purchase the stock. In addition, the SEC recently adopted new regulations which require a two-business day delay prior to execution of a trade in a penny stock by a broker and dealer. These additional requirements affect the timing of purchases and sales by investors.

RISKS RELATED TO OUR BUSINESS

Our independent auditors have expressed substantial doubt whether we can continue as a going concern.

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We have incurred ongoing operating losses and do not currently have financing commitments in place to meet expected cash requirements for the next twelve months. Our net loss for the nine month period ended September 30, 2005 was \$454,650 and our net loss for the year ended December 31, 2004 was \$1,186,478. Our retained deficit was \$16,146,146 at the nine month period ended September 30, 2005. 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.

We need additional external capital and may be unable to raise it.

Based on our current growth plan we believe we may require approximately \$500,000 in additional financing within the next twelve months 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 may not be able to satisfy the debt incurred under the promissory notes.

Our agreement to sale promissory notes to investors will result in debt of \$500,000 at 8% interest. We have reported losses for the past two fiscal years and we anticipate that our operating cash flow, together with funds derived from private financing will be sufficient to meet anticipated operating expenses for the next six months. However, the debt is payable by December 31, 2006 and we may not be able to satisfy the debt when it comes due. If we are unable to satisfy the debt we could attempt to restructure or refinance our indebtedness with additional private financing. We cannot assure you that we will be able to accomplish those actions on satisfactory terms, if at all.

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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

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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.

Our revenues are dependent in part upon our relationships and alliances with government agencies and partners.

While we own exclusive licenses for the SecureScan technology, we are dependent upon the continuation of the ongoing contract between the Department of Energy and National Institute of Justice for continuations and improvements to the concealed weapons detection technology. We are also reliant upon the Department of Energy and National Institute of Justice for continuations and improvements to the Visual First Responder. If either of these entities should discontinue its operations or research and development we may lose our competitive edge in our market.

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 SecureScan 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 58.8% of the voting power of our common and preferred stock entitled to vote on any matter brought to a vote of the stockholders. Specifically, Gunther Than, our CEO, holds approximately 57.0 % of the total voting power as of the date of this prospectus. 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. As a result, our minority stockholders may not have the opportunity to approve or consent to corporate actions or other transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-

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Oxley Act could 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-KSB for the fiscal year ending December 31, 2007, 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.

USE OF PROCEEDS

We are registering the shares for the benefit of the selling stockholders and they will sell the shares from time to time under this prospectus. We will not receive the proceeds from the shares sold by the selling stockholders. We will pay the costs of this offering, with the exception of the costs incurred by the selling stockholders for their legal counsel and the costs they may incur for brokerage commissions on the sale of their shares.

MARKET FOR COMMON EQUITY

MARKET INFORMATION

Our shares of common stock are traded on the NASD OTC Bulletin Board under the symbol "VYST." The following table lists the range of the quarterly high and low bid prices of our common stock in the over-the-counter market for each quarter for the two most recent fiscal years. The high and low bid prices were reported by the OTC Bulletin Board Historical Data Service. These over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-downs or commissions, and may not necessarily represent actual transactions.

| Year | Quarter Ended | High Bid | Low Bid |
|------|---------------|----------|----------|
| ---- | ----- | ----- | ----- |
| 2004 | March 31 | \$ 0.37 | \$ 0.18 |
| | June 30 | 0.33 | 0.115 |
| | September 30 | 0.145 | 0.06 |
| | December 31 | 0.24 | 0.09 |
| 2005 | March 31 | \$ 0.165 | \$ 0.061 |

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| | | |
|--------------|-------|-------|
| June 30 | 0.078 | 0.046 |
| September 30 | 0.46 | 0.055 |
| December 31 | 0.285 | 0.152 |

Our common shares are subject to Section 15(g) and Rule 15g-9 of the Securities and Exchange Act of 1934 (the "Exchange Act"), commonly referred to as the "penny stock" rule. The rule defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. The rule provides that any

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equity security is considered to be a penny stock unless that security is:

- .. registered and traded on a national securities exchange meeting specified criteria set by the SEC;
- .. issued by a registered investment company; or
- .. excluded from the definition on the basis of share price or the issuer's net tangible assets.

These rules may restrict the ability of broker-dealers to trade or maintain a market in our common stock and may affect the ability of stockholders to sell their shares. The rules require broker-dealers who sell penny stocks to persons other than established customers and accredited investors to make a special suitability determination about the purchaser before for the purchase of the security. Accredited investors, in general, include individuals with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse, and certain institutional investors. The rules require the broker-dealer to receive the purchaser's written consent to the transaction prior to the purchase and require the broker-dealer to deliver a risk disclosure document relating to the penny stock prior to the first transaction. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the security. Finally, monthly statements must be sent to purchasers disclosing recent price information for the penny stocks.

HOLDERS

As of January 31, 2006 we had 348 stockholders of record, which does not include "street accounts" of securities brokers that we estimate to be approximately 4,500.

DIVIDENDS

We have not paid cash or stock dividends, have no present plan to pay any dividends, and payment of any cash dividends on our common stock is unlikely. Instead, we intend to retain any earnings to finance the operation and expansion of our business

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DESCRIPTION OF BUSINESS

HISTORICAL DEVELOPMENT

View Systems was incorporated in Florida on January 25, 1989, as Beneficial Investment Group, Inc. and became active in September 1998 when we began development of our digital video product line and changed the company's name

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to View Systems, Inc. Starting in 1999 we expanded our business operations through a series of acquisitions of technologies we use in our digital video recorder technology products and in our concealed weapons technology.

On July 25, 2003, View Systems incorporated View Systems, Inc. as a wholly-owned Nevada corporation for the sole purpose of changing the domicile of the company from Florida to Nevada. On July 31, 2003, articles of merger were filed with the state of Nevada to complete the domicile merger.

OUR BUSINESS

View Systems, Inc. develops, produces and markets computer software and hardware systems for security and surveillance applications. In 1998 digital video recorder technology was our first developed product and we enhanced this product line by developing interfaces with other various technologies, such as facial recognition, access control cards and control devices such as magnetic locks, alarms and other common security devices. In 2003 we sold this product to places like the Ronald McDonald house, the University of Maryland Medical Center, and restaurants and car dealers.

We expanded our product line in 2002 to include a concealed weapons detection system we call SecureScan. We sell this product to schools, municipal buildings, court houses, and correctional facilities in the MidAtlantic states, the West Coast and the South. In 2003 we added a hazardous material first response wireless video transmitting system to our product line we refer to as Visual First Responder. We sell these units to first responder units such as the National Guard, police departments and fire departments.

Until 2005 we assembled all of our products in-house, but we currently contract with third party manufacturers to manufacture the SecureScan and Visual First Responder products.

Products and Services

SecureScan Concealed Weapons Detection System

We acquired exclusive licenses to manufacture, use, sub-license and distribute technology and processes for the concealed weapons detection technology and the first response wireless video transmitting system from Bechtel BWXT Idaho, LLC. Bechtel BWXT Idaho, LLC manages and operates the U.S. Department of Energy's Idaho National Engineering and Environmental Laboratory ("Idaho Engineering Lab"). The development of the concealed weapons detection technology was funded by the National Institute of Justice and development was performed by the Idaho Engineering Lab. The SecureScan concealed weapons detection technology was patented by the Department of Energy and approved by the Federal Aviation Administration. View Systems owns the exclusive worldwide rights to the SecureScan technology and ongoing improvements currently being funded by the National Institute of Justice.

This product is a walk-through concealed weapons detector which uses sensing technology and artificial intelligence algorithms to accurately pinpoint the location, size and number of concealed weapons. The control unit for this walk-through portal is 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. SecureScan products are distributed in two basic configurations; stand-alone units and integrated door systems.

Concealed weapons detection systems are used in a wide range of situations in order to provide added security against violent crimes. In addition to the well-known use of concealed weapons detection systems in public airports, such weapons detection systems are increasingly being used in court houses, schools

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and other public/governmental

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facilities that may be subject to threats or attacks by various members of the public. Our marketing efforts and sales have been to courthouses, schools, correction facilities, and other public/governmental facilities, rather than public airports.

One commonly used concealed weapons detection system is the electromagnetic induction system. Essentially an electromagnetic induction system operates by periodically broadcasting an electromagnetic pulse or series of pulses, usually in the kilohertz range. The transmitted electromagnetic pulse induces an electrical current, or currents, in electrically conductive objects contained within the sensing area. The induced electrical current or currents create their own electromagnetic signals which are then detected by a suitable detector associated with this type of weapons detection system.

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, not 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 size, such as keys or pocket change. 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.

Our SecureScan system differs from electromagnetic induction systems because the SecureScan system uses passive magnetic technology. When an object of a specific ferro-magnetic mass passes by the magnetic sensors the surrounding magnetic field is altered. The software calculates the difference between the magnetic field strength with the object in the magnetic field inside the sensors' range and the normal magnetic field strength. Then the system displays the results in graph format on a video display unit. Since the SecureScan technology does not use transmitters to produce electromagnetic induction, stray energy that can cause false alarms does not exist.

The SecureScan 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.

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The SecureScan technology discriminates weapons from non-weapons by assuming that possible threat objects will have ferromagnetic composition. The SecureScan system promotes smooth traffic flow because it only detects the types of ferrous metals commonly found in guns and knives, rather than personal possessions such as coins, keys or belt buckles. This capability reduces false alarms and eliminates the need to use hand wands or resort to a personal search. In addition, the sensor settings can be adjusted to allow the detection of high composite pistols, titanium and stainless steel guns, and box cutters. Body cavity object identification is also available, as well as locating objects that have been covered or masked with aluminum foil or other materials. The SecureScan system operates faster than ordinary metal detectors and can scan as high as 1,500 persons per hour.

The SecureScan weapons detection system can be controlled via a central monitoring station using a Windows(TM) operating system and Pentium(TM) hardware. This can include additional closed-circuit television, two-way voice communication, door interlock, card-key and other biometric identification or access control components. The functionality of the SecureScan portal is increased by access control, database recording, video capture and archiving

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of images.

In 2004 we introduced the SecureScan product to the venue and stadium market. In February 2005 we tested the SecureScan at the pre-game venues of the Super Bowl football game in Jacksonville, Florida. Our product was well received for throughput and ease of use. 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. There were 384 alarms triggered by the sensitivity threshold, which is a small number compared to the number of people scanned.

During 2005 we contracted with the University of Northern Florida to design new sensor boards for the SecureScan 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. We sell these units for an average retail price of approximately \$10,000 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.

Visual First Responder

In December 2003 View Systems obtained exclusive licensing and marketing rights for the HAZMAT CAM technology from the U.S. Department of Energy's Idaho National Engineering and Environmental Laboratory. We initially marketed this product as FirstView Wireless Camera System, then changed the name to Visual First Responder.

Visual First Responder is a lightweight, wireless camera system housed in a tough, waterproof flashlight 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. Visual First Responder is able to transmit high quality video in the most difficult environments. It uses a

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patented triple-diversity antenna system that minimizes signal distortion in urban environments. Traditional wireless videos use one antenna and a single receiver. The problem with this configuration is that signals multi-path, which means they bounce off other structures, like buildings, file cabinets, etc., on the way to the receiver. This multi-pathing causes interference and seriously degrades the video images. The Visual First Responder receiver seeks the strongest signal from each of the three antennas and locks in that signal, resulting in a more reliable and clearer image.

The image received from the Visual First Responder monitor or on the Visual First Responder color LCD 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. We also offer a unit with 360 degree coverage of a target area.

Visual First Responder also uses Extension Link which is a separate transmitter and receiving system that increases the operating range of the Visual First Responder. 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 Visual First Responder 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 \$18,000 retail, but the cost can be as high as \$30,500 depending on additional special features such as the extension link and encryption capabilities.

We have entered into a cooperative research and development agreement with the Idaho Engineering Lab for the Visual First Responder. This agreement allows us to use the research and development resources of the Idaho Engineering Lab to further develop the technology as driven by customer need. The cooperative research and development agreement provides a means for View Systems to efficiently continue to offer state of the art technology, yet concentrate on its marketing and manufacturing operations.

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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 16 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.

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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 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.

Additional Products

We also offer integration of other products with SecureScan 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 SecureScan and/or ViewMaxx to limit individual access to an area. SecureScan 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 SecureScan or ViewMaxx products.

In addition, we 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.

Markets

Our family of products offers government and law enforcement agencies, commercial security professionals, private businesses and residential consumers an enhanced surveillance and detection capacity. Management has chosen to avoid the air passenger traffic and civilian airport market for

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metal detection because we believe that a larger market exists in venues such as sporting events, concerts, and race tracks, and schools, courthouses and municipal buildings, and law enforcement agencies.

Commercial business users represent the greatest potential users of our surveillance and weapons detection products. Commercial businesses have already realized the need for surveillance and using access control devices for protection of employees, customers, and assets. Our products can curtail crime and prevent loss caused by employees and others. The market for surveillance technology includes many types of commercial buildings; including, hospitals, schools, museums, retail, manufacturing and warehousing facilities.

Our SecureScan products and technology can be used where there is a temporary requirement for real-time weapons detection devices in areas where a permanent installation is cost prohibitive or impractical. For example, our SecureScan portal could be set up for special events, concerts, and conventions. Our systems may reduce the need for a large guard force and can provide improved pedestrian traffic flow into an event because individuals can be scanned quickly and false alarms are reduced.

Schools have been very receptive and enthusiastic about the SecureScan portal and its integration with School Technology Management's Comprehensive Attendance/Security System. In early October 2003 we announced an alliance with School Technology Management, Inc. to integrate and market its products with ours. School Technology Management developed the Comprehensive Attendance, Administration and Security System ("Comprehensive Attendance/Security System"), which is designed to use a magnetic card swipe system to monitor identification of students entering a school and to verify each student's attendance. School Technology Management combined our SecureScan portal with its card swipe system.

With the combined technology a student enters the portal and is scanned for any threat objects and his or her identity is concurrently confirmed to school security officers. During the spring semester of 2004, a subcontractor of the National Institute of Justice conducted a study of the effectiveness of the SecureScan portal in a school environment and the results were positive. The combined technology has been tested in schools in New York and Philadelphia and we have received very positive responses from those tests and have experienced increased inquiries about our products and increased purchase orders as a result of these tests. Management estimates that there are over 120,000 schools in the United States that may have problems with violence, truancy and other safety considerations, which may be addressed by the combined technology.

In addition to school security, the gathering of video and data images and weapons detection is commonplace in law enforcement. Because our technology can be used for stakeouts and remote monitoring of areas, we believe there is a market potential with law enforcement agencies. A primary market for our SecureScan portal is federal and state government courthouses, county and municipal buildings, and correctional facilities. We have installed our SecureScan weapons detection products in a variety of court house situations. The Visual First Responder product's market includes state National Guard units and first response agencies, such as; firemen, police swat and homeland security response teams.

The residential home security user may purchase our products from either commercial companies installing self-contained or centrally monitored systems, or directly from retail distribution centers. However, at this time we do not have retail agreements in place. Using our technology, individuals may run their own perimeter and interior surveillance systems from their own home computer. Real-time action at home can be monitored remotely through a modem

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and the Internet. There is also the capability to make real-time monitors wireless. An additional advantage of our technology is that it allows for the storage of information on the home computer and does not require a VCR. This capability may reduce the expense and time of the home installation and may make installation affordable for a majority of homeowners.

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Manufacturing

We initially manufactured the SecureScan portal internally at our facilities in Baltimore, Maryland. During the second quarter of 2004 we set up a complete manufacturing line in the Baltimore, Maryland facility for building, testing and further development of the Visual First Responder product. In August 2005 we contracted with Inter-Connect Electronics, Inc. to manufacture and assemble our Visual First Responder units. We also contracted with Sports Field Specialties, LLC, an experienced manufacturer, to build the SecureScan product line. These manufacturing agreements have allowed us to reduce our current backlog for our product lines and also cut our labor cost.

Our third party manufacturers create several of the hardware components in our systems and assemble our systems by combining other commercially available hardware and software together with our proprietary software. We hold licenses for software components that are integrated into our proprietary software and installed in our systems. We believe that we can continue to obtain components for our systems at reasonable prices from a variety of sources. Although we have developed certain proprietary hardware components for use in our products and purchased some components from single source suppliers, we believe similar components can be obtained from alternative suppliers without significant delay.

Sales and Distribution

We are in the process of building a United States domestic network of manufacturing representatives and dealers for the sale and distribution of our products. We are seeking security consultants, specifiers and distributors of security and surveillance equipment that sell directly to schools, courthouses, government and commercial buildings. We hired four in-house regional sales persons and intend to develop a national sales channel model and a distributor development program.

We use mailings and telephone calls to contact potential representatives in a geographical area with the intent to arrange a demonstration of our products to these persons. We attend region specific trade shows such as sheriff's conventions, court administrators meetings, civil support team and state police shows. Then we demonstrate or give trial offers in the area until a sale is completed. Once we have completed a sale in a specific market area, then we expand that market by contacting correctional facilities, courthouses and other municipal buildings. We ship our products to the customer and each product has an unconditional 30 day warranty, during which time the product can be returned for a complete refund.

We have ongoing reseller arrangements with small- and medium-sized domestic and international resellers. Our reseller agreements grant a non-exclusive right to the reseller to purchase our products at a discount from the list price and then sell them to others. These agreements are generally for a term of one year and automatically renew for successive one-year terms unless terminated by notice or in the event of breach.

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We also have experienced international interest from security related resellers and system integrators. However, sales and shipments to overseas are regulated by federal guidelines for export. Previously, we had chosen not to pursue international markets, but are now evaluating potential sales in the Middle East. We intend to continue our focus on domestic markets which are less expensive to support and maintain.

Backlog

As of December 31, 2005, we had a backlog of \$200,000, down from \$700,000 at September 30, 2005. 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 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,

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- .. design or specification changes by the customer,
- .. the customer's need to prepare the site, and
- .. delays caused by other contractors on the project.

Competition

We believe the introduction of digital technology to video surveillance and security systems is our market opportunity. We believe that many of the established closed-circuit television companies have approached the design of their digital closed-circuit television products from the standpoint of integrating their digital products to existing security and surveillance product offerings. These systems are closed, not easily integrated with other equipment and not capable of upgrades as technology improves. We have designed our systems such that they are open, compatible with other digital and analog systems, and adaptable to technological advances that will inevitably occur with digital technology. In addition, we have evaluated price point competition and to ease the financial burden for schools and other customers with budget constraints, we accept a down payment with remaining payments due monthly for an agreed upon term.

The markets for our products are extremely competitive. Competitors include a broad range of companies that develop and market products for the identification and video surveillance markets. In the weapons detection market, we compete with Ranger Security Scanners, Inc. and Garrett Electronics, Inc. in the United States, and an Italian company, CEIA SpA, which has the most sophisticated electromagnetic induction product. In the video surveillance market we compete with numerous VCR suppliers and digital recording suppliers, including, Sensormatic Corporation and NICE Systems, Ltd. and Integral Systems.

Trademark, Licenses and Intellectual Property

Certain features of our products and documentation are proprietary and we rely on a combination of patent, contract, copyright, trademark and trade secret

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laws and other measures to protect our proprietary information. We limit access to, and distribution of, our software, documentation and other proprietary information. As part of our confidentiality procedures, we generally enter into confidentiality and invention assignment agreements with our employees and mutual non-disclosure agreements with our manufacturing representatives, dealers and systems integrators. Notwithstanding such actions, a court considering these provisions may determine not to enforce such provisions or only partially enforce such provisions.

The SecureScan concealed weapons detection technology involves sensing technology and data acquisition/analysis software subsystems that have patents pending or issued to the U. S. Department of Energy. We hold an exclusive license, D.O.E. License No. 03-LA-18, to commercialize, manufacture and market the concealed weapons detection technology. However, since the intellectual property was developed by the federal government under a grant from the National Institute of Justice, the patents belong to the government and we pay royalties of 2% of the net sale price per SecureScan unit sold. We also hold the exclusive license, D.O.E. License No. 03-LA-20, for the Visual First Responder technology and pay royalties of 4% of the net sale price per each Visual First Responder unit sold.

Governmental ownership of the patents is advantageous because the government has prosecution and stewardship responsibilities for the life of the patents.

We enjoy the benefit of any continuations and improvements to the concealed weapons detection technology performed by the government under the ongoing contract between the Department of Energy and National Institute of Justice. Our exclusive marketing agreement allows us to have cutting edge technology without funding the research and development or patent applications.

We have obtained software licensing agreements for

- .. software operating systems components,
- .. for facial recognition to possibly integrate into our proprietary software, and
- .. integration of commercially available operating systems software into our proprietary software for installation into our products.

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Because the software and firmware (software imbedded in hardware) are in a state of continuous development, we have not filed applications to register the copyrights for these items. However, under law, copyright vests upon creation of our software and firmware. Registration is not a prerequisite for the acquisition of copyright rights. We take steps to insure that notices are placed on these items to indicate that they are copyright protected. The copyright protection for our software extends for the 20-year statutory period from the date of first "publication," distribution of copies to the general public, or from the date of creation, whichever occurs first.

We provide software to end-users under non-exclusive "shrink-wrap" licenses, which are automatic licenses executed once the package is opened. This type of license has a perpetual term and is generally nontransferable. Although we do not generally make source code available to end-users, we may, from time to time, enter into source code escrow agreements with certain customers. We have also obtained licenses for certain software from third parties for incorporation into our products.

Government Regulation

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We are not subject to government regulation in the manufacture of our products or the components in our products. However, our products are subject to certain government restrictions on sales to "unfriendly" countries and countries designated as adversarial, which may limit our sales to the international market. In addition, our resellers and end users may be subject to numerous regulations that stem from surveillance activities. We also benefit from the recent "made in America" trade laws where non-United States manufactures must secure waivers in order to sell security and surveillance products to United States domestic end-users.

Security and surveillance systems, including cameras, raise privacy issues and our products involve both video and audio, and added features for facial identification. The regulations regarding the recording and storage of this data are uncertain and evolving. For example, under the Federal wiretapping statute, the audio portion of our surveillance systems may not record people's conversations without their consent. Further, there are state and federal laws associated with recording video in non-public places.

Research and Development

For the year ended December 31, 2004 and 2003, we did not record research and development expense. We have cooperative research arrangements with the Department of Energy to receive technical assistance and further enhancements of the concealed weapons detection technology and Visual First Responder technology that are performed by the Department of Energy and the National Institute of Justice. We also contract with engineers and other third parties to develop or vary the design of our products and we record these expenses under professional fees.

Employees

We employ 12 persons, including four sales executives, four engineers and two office personnel. Two persons are part-time and we also contract with two independent contractors who devote a majority of their work to a variety of our projects. Our employees are not presently covered by any collective bargaining agreement. Our relations with our employees are good, and we have not experienced any work stoppages.

Reports to Security Holders

We are required to comply with the reporting requirements of Section 12(g) of the Exchange Act and must file annual, quarterly and other periodic reports with the SEC, as well as proxy and information statements. The public may read and copy any materials we file with the SEC, including copies of this registration statement at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0300. We are an electronic filer and copies of our periodic reports and other information filed with the SEC should be available through the Internet by

using the SEC's EDGAR database which may be found at <http://www.sec.gov>. We also have an Internet web site at www.viewsystems.com.

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We lease 4,600 square feet of office space in Baltimore, Maryland. The lease term is three (3) years beginning on October 1, 2005, and expiring on September 30, 2008. The base rent is approximately \$3,000 per month subject to an annual escalator of 3%. Management believes this facility will suit our needs for the future.

LEGAL PROCEEDINGS

As of the date of this prospectus we are not a party to any material legal proceedings.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

EXECUTIVE OVERVIEW

Our product lines are related to surveillance, detection and security. Management believes that heightened attention to terrorism and other security threats in the United States and spending by the United States government on Homeland Security will continue to drive growth in the market for security products.

During the first quarter of 2004 we increased our product lines when we entered into a cooperative research and development agreement with the Idaho Engineering Lab for our Visual First Responder. During the second quarter of 2004 we set up a complete manufacturing line in our Baltimore, Maryland facility for building, testing and further development of the Visual First Responder product. In August 2005 we contracted with Inter-Connect Electronics, Inc. to manufacture and assemble our Visual First Responder units.

In 2004 we worked diligently to make engineering design changes to the SecureScan product to accommodate the price points required by competitive pressures. In 2005 we contracted with the University of Northern Florida to design new sensor boards for the SecureScan product which 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. We believe the new reduced price points and the enhanced interface abilities of our products will allow us to be more competitive. We also contracted with Sports Field Specialties, LLC, an experienced manufacturer, to build the SecureScan product line. These manufacturing agreements allowed us to reduce our backlog for our product lines and decreased our labor cost.

During 2005 we have continued to provide live demonstrations of our SecureScan product at sporting and entertainment venues, expos, and at state corrections facilities. We also have provided demonstrations of our Visual First Responder for police and civil support teams. These demonstrations have raised interest in our products and resulted in increased orders of our products.

During 2005 we continue to establish new partnerships, add active resellers and dealers and we hired four sales representatives to build a United States domestic network for the sale and distribution of our products within the 48 states. However, we cannot assure you that we will be able to develop these sales and distribution channels to a level which will result in increased

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revenues or continued profitability.

For the next twelve months our primary challenge will be to more fully develop our sales and distribution network for the United States. We intend to increase sales by offering demonstrations of our products in specific geographical areas to potential customers or at region specific trade shows, such as sheriff's conventions, court administrators' meetings, civil support team, state police shows and dealers shows. When a demonstration results in a sale of one of our products, then we will attempt to expand that market by contacting other potential customers in the area, such as, correctional facilities, courthouses and other municipal buildings. After several sales in a particular geographic area management will decide whether it is appropriate to open a sales and service office.

LIQUIDITY AND CAPITAL RESOURCES

We have incurred losses for the past two fiscal years and had a net loss of \$1,186,478 at December 31, 2004, and a net loss of \$454,650 for the nine month period ended September 30, 2005. We also were in default on our debt obligations and did not have financing commitments in place to meet our expected cash requirements. Our auditors have expressed substantial doubt that we can continue as a going concern based on these operating losses. Management intends to focus our efforts on development of our sales and marketing channels in order to increase our revenues. However, management also believes we will incur operating losses for the near future and will need to rely on private financing to satisfy our cash requirements.

Historically we have relied on private financing to supplement our revenues. For the year ended December 31, 2003 ("2003 year") we recorded revenues of \$569,952 and received \$817,820 in debt financing and \$508,550 in proceeds

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from sales of our common stock. For the year ended December 31, 2004 ("2004 year"), we recorded revenues of \$476,319, received \$933,800 from debt financing, \$157,900 from sales of common stock and advances totaling \$132,000 from Gunther Than, our CEO.

In September 2005 and December 2005 we entered into private financing agreements, discussed below, to pay off debt and cover cash shortfalls for the short term; however, we must improve our sales and marketing channels to increase our revenues to be able to service these obligations. For the long term, management expects that the development of our sales and marketing channels will increase our revenues; however, we will need to continue to raise additional funds through private financing and sales of our common stock, as needed.

Management believes that it will be essential to continue to raise additional capital, both internally and externally, to compete in our markets. We cannot assure you that we will be able to obtain financing on favorable terms and we may be required to further reduce expenses and scale back our operations. If revenues do not increase to a level to support operations, then we may consider additional private financing within the next six months.

COMMITMENTS AND CONTINGENT LIABILITIES

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Our base rent for operating leases related to our principal office and manufacturing facility is approximately \$2,870 per month, with an annual rent escalator of 3%. At December 31, 2004, future minimum payments for operating leases related to our office and manufacturing facility were \$19,964 through 2006.

Our total current liabilities of \$310,885 at September 30, 2005 included accounts payable of \$148,500, accrued expenses of \$15,238, accrued interest of \$74,100 and notes payable of \$73,047.

At December 31, 2004 we were in default on our debt obligations. On September 22, 2005, we arranged for three accredited investors to pay notes payable of \$237,357 that we owed to Niki Group, LLC and Compass Equity Partners LLC. In consideration for the pay-off our board of directors authorized the issuance of an aggregate of 2,390,000 shares to three investors. Starr Consulting, Inc. received 597,500 shares for \$60,000 paid on the debt; Power Network, Inc. received 597,500 shares for \$60,000 paid on the debt; and YT2K, Inc. received 1,195,000 shares for \$120,000 paid on the debt.

Subscription Agreement

In December 2005, we entered into a Subscription Agreement with three accredited investors; Starr Consulting, Inc., Active Stealth, LLC, and KCS Referral Service LLC (the "Subscribers"). We agreed to sale and the Subscribers agreed to purchase convertible promissory notes and 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 are 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. On January 3, 2006, we closed the first \$100,000 installment.

The agreement requires that we register the underlying shares of the convertible promissory notes and warrants and it is likely that this debt may be converted into common stock. We must increase our authorized common stock in order to have sufficient shares to issue the 10,000,002 shares of common stock required if all the promissory notes are converted and the warrants exercised. We negotiated an agreement the Subscribers that allows us to delay the registration requirement for the underlying common stock for the warrants until such time as we have increased our authorized common stock.

OFF-BALANCE SHEET ARRANGEMENTS

None.

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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

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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.

RESULTS OF OPERATIONS

For the Three and Nine Month Periods Ended September 30, 2005 Compared to the Three and Nine Month Periods Ended September 2004

The following discussions are based on the unaudited consolidated financial statements of View Systems and its subsidiaries. These charts and discussions summarize our financial statements for the three and nine month periods ended September 30, 2005 and 2004 and should be read in conjunction with the financial statements, and notes thereto, included in this prospectus starting on page 33.

Summary Comparison of Three and Nine Month Period Operations

| | Three month period ended Sept 30, 2005 | Three month period ended Sept 30, 2004 | Nine month period ended Sept 30, 2005 | Nine month period ended Sept 30, 2004 |
|----------------------------------|--|--|---|---|
| Revenues, net | \$ 338,941 | \$ 188,029 | \$ 820,497 | \$ 380,423 |
| Cost of sales | 109,541 | 32,765 | 339,049 | 138,963 |
| Gross profit | 229,400 | 155,264 | 481,448 | 241,460 |
| Total operating expenses | 496,712 | 295,037 | 927,599 | 998,099 |
| Total other income (expense) | (2,961) | (2,958) | (8,499) | (31,269) |
| Net income (loss) | (270,273) | (142,731) | (454,650) | (787,908) |
| Net earnings (loss) per share | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.01) |

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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.

Our marketing efforts have increased sales of our SecureScan and Visual First Responder and resulted in revenues for the three month period ended September 30, 2005 (the "2005 third quarter") increasing 180.1% compared to the three month period ended September 30, 2004 (the "2004 third quarter"). Revenues for the nine month period ended September 30, 2005 ("2005 nine month period") increased 115.7% compared to the nine month period ended September 30, 2004 ("2004 nine month period"). Management anticipates that increases in revenues will continue as we develop our sales and marketing channels and establish local sales and service offices in geographic areas that we have already completed sales.

The breakdown of revenues by product line follows:

| | Nine month period Sept. 30, 2005 | Nine month period Sept. 30, 2004 |
|------------------------|-------------------------------------|-------------------------------------|
| | ----- | ----- |
| Secure Scan | \$ 413,149 | \$ 54,499 |
| ViewMaxx | 41,520 | 128,906 |
| Visual First Responder | 360,940 | 192,320 |
| Service | 4,888 | 4,698 |

Our backlog at December 31, 2005, was \$200,000, down from \$700,000 at September 30, 2005. The reduction in backlog is primarily a result of outsourcing our manufacturing. Our back log is more manageable and is in part carried by the third party manufacturers because purchase orders are placed with the manufacturers and they receive payment when we receive payment from the customer. However, 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.

While revenues increased in the 2005 periods, cost of sales also increased 234.3% for the 2005 third quarter compared to the 2004 third quarter and they increased 144.0% for the 2005 nine month period compared to the 2004 nine month period. Cost of sales increased in the 2005 periods as a result of the expenses related to expanding our sales and distribution channels including the cost of products for demonstrations, travel to shows and increased dealer relations, and promotional materials. Management anticipates that cost of sales will increase as our marketing efforts continue but that the relative margins of each product line should remain relatively the same.

Despite the increase in cost of sales, the increased revenues resulted in a gross profit increase of 47.7% for the 2005 third quarter compared to the 2004 third quarter and an increase of 99.4% for the 2005 nine month period compared to the 2004 nine month period.

For the 2005 third quarter total operating expense increased 68.4% compared to the 2004 third quarter. The increase in the 2005 third quarter was primarily a result of additional business development expenses related to expanding our markets and increased professional fees related to contracts with four engineers. For the 2005 nine month period total operating expense decreased

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7.1% compared to the 2004 nine month period. This decrease was primarily the result of a 73.1% decrease in general and administrative expenses and management expects these expenses to remain relatively the same, but as we continue to develop our marketing channels expenses related to business development may increase.

Total other expense for the 2005 and 2004 comparable periods was related to interest on loans. Management anticipates interest expense to increase as a result of the subscription agreement with the Subscribers, described above, and our need to seek further private financing in the future.

As a result of the above, our net loss increased 89.4% for the 2005 third quarter compared to the 2004 third quarter, but decreased 42.3% for the 2005 nine month period compared to the 2004 nine month period.

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Balance Sheet

The following chart summarizes our balance sheet at September 30, 2005 and December 31, 2004

Summary Balance Sheet

| | For nine month period ended September 30, 2005 | For the year ended December 31, 2004 |
|-----------------------------|--|---|
| Cash and cash equivalents | \$ 4,109 | \$ 173,486 |
| Total current assets | 177,279 | 343,025 |
| Total assets | 1,937,420 | 2,085,458 |
| Total current liabilities | 310,885 | 580,824 |
| Retained earnings (Deficit) | (16,146,146) | (15,691,496) |
| Total stockholders equity | \$ 1,626,535 | \$ 1,504,634 |

Our total assets decreased at September 30, 2005, primarily as a result of decreases in cash and inventory. Total current liabilities decreased primarily due to decreases in accounts payable as a result of the pay-off of notes payable totaling \$237,357 by Starr Consulting, Inc., Power Network, Inc. and YT2K, Inc.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

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 years ended December 31, 2004 and 2003 and should be read in conjunction with the financial statements, and notes thereto, included in this prospectus starting on page 33.

Summary Comparison of 2004 and 2003 Fiscal Year Operations

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| | 2004 | 2003 |
|-------------------------------|-------------|-------------|
| | ----- | ----- |
| Revenues, net | \$ 476,319 | \$ 569,952 |
| Cost of sales | 257,179 | 257,632 |
| Gross profit | 219,140 | 312,320 |
| Total operating expenses | 1,369,474 | 2,832,243 |
| Net operating income (loss) | (1,150,334) | (2,519,923) |
| Total other income (expense) | (36,144) | (26,411) |
| Net income (loss) | (1,186,478) | (2,546,334) |
| Net earnings (loss) per share | \$ (0.02) | \$ (0.05) |

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Revenues for the 2004 year decreased 16.4% compared to the 2003 year primarily as a result of the biggest manufacturing run of 20 SecureScan portals occurring in the 2003 year, along with a resurgence of View Maxx product sales in 2003. Sales of the SecureScan product line dropped in 2004 while we focused our sales and marketing efforts on the Visual First Responder product line.

The following chart provides a breakdown of our sales in 2004 and 2003.

| | Dec. 31, 2004 | Dec. 31, 2003 |
|------------------------|---------------|---------------|
| | ----- | ----- |
| Secure Scan | \$ 24,800 | \$ 319,145 |
| ViewMaxx | 153,271 | 243,441 |
| Visual First Responder | 296,100 | - |
| Service | 2,148 | 7,366 |

Costs of sales remained relatively the same in the 2004 year compared to the 2003 year. However, management expects cost of sales to increase as we expand our marketing efforts. As a result of the decrease in revenues our gross profit decreased 29.8% for the 2004 year compared to 2003.

For the 2004 year total operating expense decreased 51.6% compared to the 2003 year. The 2004 decrease was the result of a 6.8% decrease in general and administrative expenses, a 47.2% decrease in professional fees due to reduced contracts with engineers, a 25.2% decrease in salaries and benefits and recording \$0 for business development expenses.

In addition, a valuation/impairment loss of \$888,658 in the 2003 year compared to no valuation/impairment loss for the 2004 year reduced total operating expense for the 2004 year. The impairment loss for the 2003 year was related to the adoption of Statement of Financial Accounting Standards No 142, "Goodwill and Other Intangible Assets," issued in June 2001, which addressed financial accounting and reporting for acquired goodwill and intangible assets. Goodwill represents the excess of the cost of assets acquired in a

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business combination accounted for under the purchase method of accounting over the fair value of the net assets acquired at the date of acquisition. Prior to the adoption of SFAS Nos. 141 and 142, the excess purchase price was amortized using the straight-line method over ten years. Effective January 1, 2002, goodwill was no longer amortized but rather tested for impairment under the provision of SFAS No 142. As of December 31, 2003, we determined that goodwill related to the assets we had acquired in business combinations was impaired and we wrote off of that goodwill in 2003.

The reductions in these operating expenses resulted in a 54.4% decrease in net operating loss. Management anticipates that business development expenses will increase with the development of our sales and marketing activities, but that the other operating expenses will remain relatively constant.

Total other expense increased in the 2004 year compared to the 2003 year primarily as a result of increased interest expense related to interest on loans. Interest expense may increase as we continue to rely on private financing to fund our operations.

As a result of the above changes, we recorded a 53.4% decrease in net loss for the 2004 year compared to the 2003 year and decreased our loss per share from \$0.05 for the 2003 year to \$0.02 for the 2004 year.

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MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The name, age, position and biographical information of our executive officers and directors are presented below. Our bylaws provide for a board of directors consisting of at least one director. The term of office of each director is until the next annual meeting of stockholders or until the director's earlier death, resignation, or removal. However, if his term expires, he continues to serve until his successor is elected and qualified. Executive officers are chosen by our board of directors and serve at its discretion. There are no family relationships between or among any of our directors and executive officers.

| Name | Age | Position | Director Since |
|--------------------|-----|--|----------------|
| Gunther Than | 58 | Chief Executive Officer, Treasurer, and Director | September 1998 |
| Michael L. Bagnoli | 49 | Secretary and Director | May 1999 |
| Martin Maassen | 63 | Director | May 1999 |

Gunther Than - Gunther Than was appointed Treasurer in July 2003 and has served as our Chief Executive Officer since September 1998. He served as our President from September 1998 to May 2003 and had served intermittently as Chairman of the Board from September 1998 to September 2003. Mr. Than was the founder, President and CEO of Real View Systems, Inc., a company that developed compression technology and computer equipment. Real View Systems was acquired by View Systems in 1998. Mr. Than is the founder, President and CEO of View Technologies, Inc., a software development company, and he continues in those positions. Mr. Than is a graduate of the University of Wisconsin, with a dual bachelors degree in engineering physics and applied mathematics.

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Michael L. Bagnoli - Mr. Bagnoli became a Director in May 1999 and was appointed Secretary in June 2004. He holds degrees as a medical doctor and a dental specialist. Since 1988 he has practiced dentistry in the specialty area of oral and masiofacial surgery for a physician group in Lafayette, Indiana. In his practice he introduced arthroscopy surgery along with the full scope of arthroplastic and total joint reconstruction. Mr. Bagnoli was founder, CEO and president of a successful medical products company, Biotek, Inc., which was sold in 1994.

Martin Maassen - Mr. Maassen became a Director in May 1999, he formerly served as our Chairman of the Board from April 2000 to September 2002. He is board-certified in internal medicine and emergency medicine and has served as a staff physician in the emergency departments of Jackson County, Deaconess, Union and St. Elizabeth hospitals located in Indiana. In addition to practicing medicine, he maintains an expertise in computer technologies and their medical applications.

EXECUTIVE COMPENSATION

The following table shows the compensation paid to our named executive officers in all capacities during the past three fiscal years.

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Fiscal Year | Annual Compensation | |
|-----------------------------|----------------|---------------------|----------------|
| | | Salary | Other |
| | | | |
| Gunther Than | 2004 | \$ 100,000 (1) | \$ 120,000 (2) |
| CEO, Treasurer | 2003 | 100,000 (1) | 138,000 (3) |
| Director | 2002 | 18,000 | 0 |

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- (1) Represents accrued salary.
- (2) Represents 600,000 common shares issued as compensation.
- (3) Represents 1,150,000 common shares issued as compensation.

Compensation of Directors

We compensate our independent directors with 5,000 shares of our common stock for each month of service. Messrs. Maassen and Bagnoli each accrued 60,000 shares for the year ended December 31, 2003 as independent directors as defined by NASD Fule 4200(a)(15). Mr. Maassen accrued 60,000 shares for the year ended December 31, 2004. In June 2005 we issued 120,000 shares valued at approximately \$12,000 to Michael Bagnoli for services rendered on our behalf. We have not issued the accrued shares to Mr. Maassen. We do not have any arrangement for cash compensation of our directors for the services they provide in their capacity as directors, including services for committee participation or for special assignments.

Employment Contracts

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Mr. Than entered into an employment agreement with us and agreed to serve as our Chief Executive Officer, effective January 1, 2003. Mr. Than's employment is "at will" and we may terminate him with or without cause. Either party may terminate his employment with a 30-day written notice or we may terminate him immediately and provide Mr. Than with severance pay in an amount equal to thirty (30) days of salary as of the date of termination. Mr. Than will receive an annual salary of \$100,000 and 50,000 shares of common stock for each month of service. Mr. Than has agreed to maintain the confidentiality of our trade secrets and not to compete with the company or to solicit any employee or client of the company during his employment and for a period of one year after any termination of his employment.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following information summarizes transactions exceeding \$60,000 we have either engaged in during the last two years, or propose to engage in, involving our executive officers, directors, more than 5% stockholders, or immediate family members of these persons. These transactions were negotiated between related parties without "arms length" bargaining and, as a result, the terms of these transactions may be different than transactions negotiated between unrelated persons.

Our CEO, Gunther Than, loans funds to View Systems on occasion in order for us to meet our financial obligations. He is repaid when funds are available. During 2004 Mr. Than advanced a total of \$132,000 and during 2003 he advanced \$1,500. These amounts were paid back to him in the respective years and the balance owed him is \$0.

In April 2005 we issued an aggregate of 1,800,000 shares of common stock to Gunther Than, our Chief Executive Officer and director, in accordance with his employment agreement. Of those shares, 1,200,000 shares were in lieu of wages of \$100,000 and 600,000 shares were issued in accordance with the 50,000 shares a month requirement in his employment contract. In April 2004 we issued 600,000 shares to Mr. Than in accordance with his employment agreement.

In June 2005, our board of directors authorized the issuance of 7,171,725 shares of Series A Preferred Stock to Mr. Than in consideration for conversion of notes payable of \$48,000 and services rendered to the company valued at \$23,717. The 7,171,725 shares of Series A Preferred represent 107,575,875 votes on any matter brought to a stockholder vote. Prior to this transaction Mr. Than held 7.5% of the voting power of the common stock. Immediately after this transaction, Mr. Than held 60.9% of the total voting power of the common and Series A Preferred.

Mr. Than is the President and CEO of View Technologies, Inc., a private company that develops software. Mr. Than devotes approximately 12 hours a week to this company. Our Board is aware of his position in this company and believes that there are no conflicts of interest resulting from his positions in both companies.

PRINCIPAL STOCKHOLDERS

The following table lists the beneficial ownership of our management. We are unaware of any person or group that beneficially owns 5% or more of our outstanding common stock. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power

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with respect to the shares. Except as indicated by footnote, the persons named in the table below have sole voting power and investment power with respect to all shares of common stock shown as beneficially owned by them. The percentage of beneficial ownership is based on 90,442,422 outstanding shares of common stock as of January 31, 2006 and any shares that each of the following persons may acquire within 60 days by the exercise of warrants and/or options.

| MANAGEMENT | | | |
|---|-------------------------|-----------------------------------|---------------------|
| Name and address of beneficial owner | Title of class | Amount of beneficial ownership | Percent of class |
| Michael L. Bagnoli 40 Redwood Court Lafayette, Indiana 47905 | Common | 800,000 (1) | Less than 1% |
| Martin Maassen 1340 Fawn Ridge Drive West Lafayette, Indiana 47906 | Common | 2,665,419 (2) | 3.0% |
| Gunther Than 1550 Caton Center Drive, Suite E Baltimore, Maryland 21227 | Common Preferred | 5,344,140 (3) 7,171,725 | 5.9% 100% |
| Directors and officers as a group | Common Preferred | 8,809,559 7,171,725 | 9.7% 100% |

(1) Represents 730,000 shares owned by Mr. Bagnoli, 40,000 shares held by his spouse, and 30,000 shares held by Mr. Bagnoli as trustee of a trust.

(2) Represents 1,915,419 held by Mr. Maassen and his spouse and 750,000 shares held by his spouse

(3) Represents 5,174,140 shares owned by Mr. Than and 170,000 shares held by his spouse.

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DESCRIPTION OF SECURITIES

We are registering common stock under this prospectus and have 100,000,000 authorized shares of common stock, par value \$0.001, and 10,000,000 shares of Series A Preferred stock authorized, par value \$0.01, as of the date of this prospectus. We have 90,442,422 common shares outstanding as of January 31, 2006, and have 7,171,725 of Series A preferred stock outstanding.

COMMON STOCK

All shares of common stock have equal rights and privileges with respect to voting, liquidation and dividend rights. After preferential rights are satisfied, if any, the holders of common stock are entitled to receive

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dividends out of funds legally available if, and when, declared by our board of directors and to participate pro rata in any distribution of assets available for distribution upon liquidation of View Systems. Any dividends declared with respect to shares of common stock will be paid pro rata in accordance with the number of shares of common stock held by each stockholder.

Each holder of common stock is entitled to one vote for each share owned of record on all matters voted upon by stockholders. A majority of the outstanding common stock is required to establish a quorum for a stockholder vote and a majority vote of the outstanding shares present at a stockholders' meeting is required for actions to be taken by stockholders. Our bylaws provide that stockholder action may be taken by written consent of a majority of the outstanding common stock. Directors are elected by a majority vote at a stockholders' meeting and the holders of the common stock do not have cumulative voting rights. Accordingly, the holders of a majority of the voting power of the shares voting for the election of directors can elect all of the directors if they choose to do so.

PREFERRED STOCK

Each share of Series A Preferred has a liquidation preference of \$0.01 per share before any payment or distribution is made to the holders of common stock in the event of liquidation of View Systems. The Series A Preferred has no conversion rights into common stock. Each share of Series A Preferred is entitled to 15 votes and shall be entitled to vote on any matters brought to a vote of the common stock stockholders. We may elect to redeem the Series A Preferred with proper notice to the holders of the Series A Preferred and, upon redemption, the Series A Preferred will be cancelled and not be reissued as Series A Preferred.

SHARES ELIGIBLE FOR FUTURE SALE

Of the shares of common stock outstanding, 66,273,341 shares are freely transferable without restriction or further registration under the Securities Act of 1933 (the "Securities Act"), and 24,169,081 shares are "restricted securities," as that term is defined in Rule 144 under the Securities Act. Of the restricted securities, 8,809,559, or 9.7%, are held by our "affiliates," as defined under Rule 144. In addition, we have options outstanding exercisable through 2009 to purchase 107,690 common shares at a weighted average exercise price of \$1.63. Also, on November 8, 2005, we filed a Form S-8 registration statement registering 3,500,000 shares. We have issued 3,340,000 of those registered shares and 160,000 shares remain for future grants. Sales of substantial amounts of common stock in the public market could adversely affect the prevailing market prices of our common stock.

SELLING STOCKHOLDERS

The following table identifies the selling stockholders under this prospectus and identifies their relationship to View Systems during the past three years. The table also lists the number of shares of common stock owned by each selling stockholder prior to the offering, the estimated number of shares to be offered for the selling stockholder's account and the estimated number of shares and percentage of outstanding shares to offered by each selling stockholder after the completion of the offering. Since the selling stockholders may sell all, a portion, or none of their shares from time to time, no firm estimate can be made of the aggregate number of shares that will be owned by each selling stockholder upon completion of the offering. Accordingly, the ownership amount and percentage after

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the offering assumes the sale of all of the registered shares by the selling stockholders.

| Selling stockholder name and relationship | Securities owned prior to offering | Number of shares being registered | Estimated securities Owned after Offering | |
|--|------------------------------------|-----------------------------------|---|--------------|
| | | | Shares | Percent |
| John V. Addeo, Sr. Investor | 85,000 | 85,000 | 0 | 0 |
| John F. Alexander Consultant | 245,000 | 245,000 | 0 | Less than 1% |
| Active Stealth, LLC (1) Investor | 1,666,666 | 1,666,666 | 0 | 0 |
| Business Development Corporation, Inc. (2) Consultant | 2,400,000 | 2,400,000 | 0 | 0 |
| Timothy Clark Investor | 120,000 | 85,000 | 35,000 | Less than 1% |
| Doug Coombs Investor | 70,000 | 70,000 | 0 | 0 |
| Thomas Cloutier Consultant | 80,000 | 80,000 | 0 | 0 |
| Charlotte DeLoof Employee | 120,000 | 60,000 | 60,000 | Less than 1% |
| KCS Referral Service, LLC (3) Investor | 1,666,666 | 1,666,666 | 0 | 0 |
| David Hume Investor | 175,000 | 175,000 | 0 | 0 |
| Lesniak & Associates (4) Creditor | 2,000,000 | 500,000 | 1,500,000 | 1.5 |
| Marc Mintz Investor | 200,000 | 100,000 | 100,000 | Less than 1% |
| Michael Paduano Investor | 85,000 | 85,000 | 0 | 0 |
| Thomas F. Pierson Legal Consultant and Investor | 300,000 | 300,000 | 0 | 0 |
| Jane Seymour Investor | 85,000 | 85,000 | 0 | 0 |

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| | | | | |
|--|-----------|---------|-----------|-----|
| William D. Smith Former Secretary, Chairman of the Board and consultant | 1,170,000 | 170,000 | 1,000,000 | 1.0 |
|--|-----------|---------|-----------|-----|

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| | | | | |
|--|------------|-----------|-----------|-----------------|
| Starr Consulting, Inc. (5) Consultant and Investor | 2,264,167 | 1,666,667 | 597,500 | Less than 1% |
| Total | 12,732,499 | 9,439,999 | 3,235,500 | 3.3 |

- (1) As provided by Active Stealth, LLC, Richard Muller holds the power to vote and dispose of the securities.
- (2) As provided by Business Development Corporation, Inc., Thomas Coultier has power to vote and dispose of the securities.
- (3) As provided by KCS Referral Service, LLC, John Braxton has power to vote and dispose of the securities.
- (4) As provided by Lesniak & Associates, Bruce Lesniak has power to vote and dispose of the securities.
- (5) As provided by Starr Consulting, Inc., Daniel Starczewski has power to vote and dispose of the securities.

TRANSACTIONS RELATED TO THE SELLING STOCKHOLDERS

We have sold restricted shares in isolated transactions to seven of the selling stockholders in consideration for cash. We are under no formal or informal obligation to register these shares under this registration statement, however, our Board has authorized the registration of 720,000 shares. The selling stockholders acquired the shares in the following transactions. On November 2, 2005, we issued 85,000 shares to Michael Paduano for \$12,750 and 175,000 shares to David Hume for \$26,250. We issued 70,000 shares to Doug Coombs for \$10,500 on November 17, 2005. On November 23, 2005, we issued 100,000 shares to Mark Mintz for \$15,000. On December 29, 2005, we authorized the issuance of 85,000 shares to Jennifer Seymour for \$12,750; 120,000 shares to Timothy Clark for \$18,000; and 85,000 shares to John V. Addeo, Sr. for \$12,750.

Subscription Agreement

We entered into 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 sale 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 warrant would be registered in a later registration statement. 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 are 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.

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Starr Consulting, Inc. agreed to purchase convertible promissory notes in the aggregate amount of \$166,667, which may be converted into 1,666,667 shares of our common stock. Active Stealth, LLC and KCS Referral Service LLC each agreed to purchase convertible promissory notes in the aggregate amount of \$166,666, convertible into 1,666,666 common shares. On January 3, 2006, we closed the first \$100,000 installment under this agreement and Starr Consulting purchased promissory notes valued at \$33,334, Active Stealth purchased promissory notes of \$33,333 and KCS Referral Service purchased promissory notes valued at \$33,333.

The agreement provides for piggy back registration rights for the shares underlying the convertible promissory notes. The agreement provides that we must file a registration statement within 60 days of a request by any Subscriber and cause the registration statement to become effective within 120 days of that request. We are obligated to maintain the effectiveness of the registration statement until all the underlying shares have been sold by the Subscribers. If we fail to obtain or maintain effectiveness of the registration statement, then we are required to pay liquidated damages in an amount equal to 2% of the purchase price of the convertible promissory notes remaining unconverted and the

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purchase price of the shares issued upon conversion of the notes owned of record by the holder of the notes for each 30 day period that the registration statement is not effective.

If we fail to issue shares within 10 business days after a request by a Subscriber, then the Subscriber is entitled to a sum of money, whichever is greater of either (i) multiplying the outstanding principal amount of the note designated by the Subscriber by 130%, or (ii) multiplying the number of shares deliverable upon conversion of the amount of the note's principal and/or interest at the conversion price that would be in effect on the deemed conversion date by the highest closing price of the common stock on the principal market for the period commencing on the deemed conversion date until the day prior to the receipt of the payment.

Consulting Agreements

We entered into a consulting agreement with John F. Alexander dated October 6, 2005. We engaged Mr. Alexander as an engineering consultant. The term of the consulting agreement is a period of one year beginning January 2, 2005 and renewing automatically. We agreed to pay Mr. Alexander 10,000 shares per month. Pursuant to the agreement he will maintain the confidentiality of information obtained while providing services to us for the term of the agreement and for three years after the agreement is terminated by mutual agreement. He agreed not to solicit our customers for the term of the agreement and for one year after its termination. Any ideas, inventions, patents and copyrights or other work product is our property and we may seek patents, copyrights or other protections for this work product. Our Board has approved the registration of 125,000 shares Mr. Alexander has earned under his consulting agreement. We are under no formal or informal obligation to register these shares under this registration statement.

On December 21, 2005, we engaged Thomas F. Pierson as legal counsel. His initial fee was \$20,000 payable in cash or 200,000 shares registered under Form S-8. Mr. Pierson opted to receive the 200,000 shares, but our Board

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decided to register these shares in this registration statement rather than under a Form S-8 registration. Mr. Pierson is entitled to an additional 100,000 shares for services rendered. Our Board has approved the registration of 300,000 shares for Mr. Pierson.

On December 27, 2005, we entered into a consulting agreement with Business Development Corporation, Inc., a Nevada corporation, located in Palm Springs, California ("Business Development"). Business Development agreed to act as an independent consultant, to provide financing, public relations, business modeling and corporate development related to acquisitions, mergers and financing. The term of the agreement was for one year beginning on the date payment of the required compensation was received. The compensation for the services was options to purchase 2,500,000 shares and the shares underlying the options have piggy back registration rights. Pursuant to the agreement, we are registering 2,500,000 shares for Business Development. In addition, the executive officer of Business Development, Thomas Cloutier, provided consulting services to us as an individual and we agreed to pay him 80,000 shares for his services. The Board has also approved the registration of the 80,000 shares under this registration statement.

Debt Conversion

On September 24, 2004, we issued 2,000,000 shares valued at \$180,000 to Lesniak & Associates as settlement for debt. We had entered into a settlement agreement with Lesniak & Associates in November 2003, but we were unable to satisfy the payments under that settlement agreement and renegotiated a settlement of \$100,000 cash and 2,000,000 common shares as full satisfaction of all debt. We are under no obligation to register these shares; however, our Board has authorized the registration of 500,000 of these shares.

Compensation

William D. Smith served as the Chairman of the Board and Secretary of View Systems from February 2003 to June 2004. On August 20, 2003 we issued 1,000,000 common shares to Mr. Smith for \$100,000. On September 10, 2003, we issued 200,000 common shares, valued at \$24,000, to Mr. Smith for consulting services for the period from

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September 2002 through August 2003. We filed a registration statement on Form SB-2 (File No. 333-118043) which originally registered 17,521,050 shares of our common stock to be sold by the selling stockholders named in that registration statement. William D. Smith was listed as a selling shareholder of 250,000 shares in the Form SB-2 File No. 333-118043. Mr. Smith sold a portion of his shares in that offering and the 170,000 shares that he did not sell have been carried forward to this registration statement.

Charlotte DeLoof is an employee of View Systems and earns shares of common stock for each month worked. Our Board has approved the registration of 60,000 of the shares she owns. We are under no obligation to register these shares.

PLAN OF DISTRIBUTION

We have agreed to register these shares for the benefit of the selling stockholders, but the registration of these shares does not necessarily mean

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that any of them will be offered or sold by the selling stockholders. The selling stockholders will have absolute discretion as to when and if the registered shares will be sold, and the manner and timing of sales of the shares. They may sell all or a portion of the shares through public or private transactions, on or off established markets, or in negotiated transactions or otherwise.

We will not use the services of underwriters or dealers in connection with the sale of the shares registered under this prospectus. However, the selling stockholders may sell all or any part of the shares offered in this prospectus through an underwriter. No selling stockholder has entered into any agreement with a prospective underwriter as of the date of this filing and there is no assurance that any agreement will be entered into. If a selling stockholder enters into an agreement or agreements, the relevant details will be disclosed in a post-effective amendment to this prospectus.

The shares may be sold by the selling stockholders either directly or through brokers or dealers, or in a distribution by one or more underwriters on a firm commitment or best-efforts basis. The methods by which the shares may be sold may include:

- .. a block trade, which may involve crosses, in which the broker or dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- .. purchases by a broker or dealer as principal and resale by the broker or dealer for its own account;
- .. ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- .. privately negotiated transactions;
- .. through the writing of options on the shares;
- .. the selling stockholders may deliver all or a portion of the shares to cover a short sale or sales made after the date of this prospectus, or a call equivalent position or a put equivalent position entered or established after the date of this prospectus; and/or
- .. the selling stockholders may also sell all or any portion of the shares in reliance upon Rule 144 or Regulation S.

The sale price to the public may be:

- .. the market price prevailing at the time of sale;
- .. a price related to the prevailing market price;
- .. at negotiated prices; or
- .. any other price as the selling stockholders determine from time to time.

The selling stockholders or their respective pledgees, donees, transferees or other successors in interest, may also sell the shares directly to market makers acting as principals and/or broker-dealers acting as agents for themselves or their customers. These broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholders. These broker-dealers may also receive compensation from the purchasers of shares for who the broker-dealers may act as agents or to whom they sell as a principal. This compensation might be in excess of customary commissions as to a particular broker-dealer. Market makers and block purchasers purchasing the shares will do so for their own account and at their own risk. It is possible that

selling stockholders will attempt to sell shares of common stock in block transactions to market makers or other purchasers at a price per share which may be below the then market price.

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The selling stockholders and any broker-dealers participating in the distribution of the shares are deemed to be "underwriters" within the meaning of the Securities Act and any profit on the sale of the shares by the selling stockholders and any commissions received by any broker-dealers may be deemed to be underwriting commissions or discounts under the Securities Act. Since the selling stockholders are deemed to be "underwriters" they will be subject to the prospectus delivery requirements of the Securities Act.

We and the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations promulgated under it, including, without limitation, Regulation M. Regulation M restricts certain activities of the selling stockholders and may limit the timing of purchases and sales of any of the shares by the selling stockholders or any other person. Also, Regulation M may restrict the ability of any person engaged in the distribution of the shares to engage in market-making activities with respect to the particular shares being distributed for a period of up to five business days prior to the commencement of a distribution. All of these limitations may affect the marketability of our shares and the ability of any person or entity to engage in market-making activities with respect to our shares.

In the event a block trade or other special offering of these shares is arranged, then we will distribute a prospectus supplement, if required, that will identify the name of any dealers or agents and any commissions and other terms constituting compensation from the selling stockholders and as well as any other required information.

Some states securities laws may require the shares be sold only through registered or licensed brokers or dealers. In addition, in some states, these shares may not be sold unless they have been registered or qualified for sale in that state or an exemption from the registration or qualification requirement of that state is available and is complied with.

OTHER INFORMATION

INTEREST OF NAMED EXPERTS AND COUNSEL

We are not aware of any expert or legal counsel named in this prospectus who will receive a direct or indirect substantial interest in the offering. Our financial statements for the year ended December 31, 2004, were audited by Chisholm, Bierwolf & Nilson, LLC. We have included the financial statements in this prospectus in reliance on the reports provided by Chisholm, Bierwolf & Nilson, LLC, dated March 23, 2005, given on their authority as experts in accounting and auditing. Cindy Shy, P.C. has provided an opinion regarding the validity of the shares to be registered.

SEC'S POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITY

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us, we have been informed that in the opinion of the SEC this type of indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

In the event that a claim for indemnification against these liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the

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question whether this indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of this issue.

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ADDITIONAL INFORMATION

This prospectus does not contain all of the information in or attached as an exhibit to the registration statement. Investors should refer to the exhibits to the registration statement for the complete text. The registration statement and its exhibits may be inspected at the office of the SEC without charge. A copy of the registration statement, any post-effective amendment and exhibits may be accessed through the SEC's EDGAR database located at the SEC's web site at <http://www.sec.gov>. Other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024 of the SEC's office at 100 F Street N.E., Washington, D.C. 20549. Additional updating information with respect to the securities covered by this prospectus may be provided to purchasers in the future by means of amendments to this prospectus.

In addition, the information incorporated by reference is available to you without charge upon your written or oral request. We agree to respond to your requests for the additional information within one business day of receipt of the request. We will send the copies of the document by first class mail or other equally prompt means. You must address your request to:

Investor Relations
View Systems, Inc.
1550 Caton Center Drive, Suite E
Baltimore, Maryland 21227

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

In our current report on Form 8-K, dated February 24, 2004, and as amended, we reported that we engaged Chisholm, Bierwolf & Nilson, LLC, as our independent auditors. Our former auditors, Stegman & Company, Certified Public Accountants, resigned as our independent auditors on March 1, 2004.

FINANCIAL STATEMENTS

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View Systems, Inc. and Subsidiaries
Consolidated Balance Sheets

| | ASSETS ----- | September 30, 2005 | December 31, 2004 |
|---|---|-----------------------|----------------------|
| | | (Restated) | (Restated) |
| Current Assets | | | |
| Cash | | \$ 4,109 | \$ 173,486 |
| Accounts Receivable (Net of allowance of \$20,054 at December 31, 2004) | | 146,973 | 108,342 |
| Inventory | | 26,197 | 61,197 |
| | | ----- | ----- |
| Total current assets | | 177,279 | 343,025 |
| | | ----- | ----- |
| Property & Equipment (Net) | | 20,521 | 14,803 |
| | | ----- | ----- |
| Other Assets | | | |
| Licenses | | 1,626,854 | 1,626,854 |
| Due from Affiliates | | 107,575 | 98,457 |
| Deposits | | 5,191 | 2,319 |
| | | ----- | ----- |
| Total Other Assets | | 1,739,620 | 1,727,630 |
| | | ----- | ----- |
| Total Assets | | \$ 1,937,420 | \$ 2,085,458 |
| | | ===== | ===== |
| | | | |
| | LIABILITIES AND STOCKHOLDERS' EQUITY ----- | | |
| Current Liabilities | | | |
| Accounts Payable | | \$ 73,047 | \$ 265,776 |
| Accrued Expenses | | 15,238 | 100,548 |
| Accrued Interest | | 74,100 | 66,000 |
| Notes Payable | | 148,500 | 148,500 |
| | | ----- | ----- |
| Total Current Liabilities | | 310,885 | 580,824 |
| | | ----- | ----- |
| Stockholders' Equity | | | |
| Preferred Stock, Authorized 10,000,000 Shares, \$.01 Par Value, Issued and Outstanding 7,171,725 | | 71,717 | - |
| Common Stock, Authorized 100,000,000 Shares, \$.001 Par Value, Issued and Outstanding | | | |

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| | | |
|--|--------------|--------------|
| 85,100,422 | 85,101 | - |
| Issued and Outstanding 76,533,922 | - | 76,534 |
| Additional Paid in Capital | 17,615,863 | 17,119,596 |
| Retained Earnings (Deficit) | (16,146,146) | (15,691,496) |
| | ----- | ----- |
| Total Stockholders' Equity | 1,626,535 | 1,504,634 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 1,937,420 | \$ 2,085,458 |
| | ===== | ===== |

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

| | Three Months Ended September 30, 2005 | 2004 | Nine Months Ended Sep 2005 | 2004 |
|--------------------------|--|------------|-------------------------------|------------|
| | ----- | ----- | ----- | ----- |
| Revenues, Net | \$ 338,941 | \$ 188,029 | \$ 820,497 | \$ 481,448 |
| Cost of Sales | 109,541 | 32,765 | 339,049 | 229,400 |
| | ----- | ----- | ----- | ----- |
| Gross Profit (Loss) | 229,400 | 155,264 | 481,448 | 252,048 |
| | ----- | ----- | ----- | ----- |
| Operating Expenses | | | | |
| Business development | 28,218 | - | 60,864 | 151,744 |
| General & Administrative | 57,724 | 184,259 | 151,744 | 393,322 |
| Professional Fees | 323,466 | 11,972 | 393,322 | 87,304 |
| Salaries and Benefits | 87,304 | 98,806 | 321,669 | |