VIEW SYSTEMS INC
Form 10-Q
August 09, 2011

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

FORM 10-Q

þ QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED June 30, 2011

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

Commission file number 000-30178

VIEW SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	59-2928366 (I.R.S. Employer Identification No.)

1550 Caton Center Drive, Suite E, Baltimore, Maryland 21227
(Address of principal executive offices) (Zip Code)

(410) 242-8439
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

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

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

Large accelerated filer £	Accelerated filer £	Non-accelerated filer £ (Do not check if a smaller reporting	Smaller reporting company R

company)

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

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

Class	Outstanding at August 2, 2011
Common Stock, $.001 par value per share	127,987,092

VIEW SYSTEMS, INC.

FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2011

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

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

View Systems, Inc. and Subsidiaries
Consolidated Balance Sheets

		June 30, 2011		December 31, 2010
ASSETS				
Current Assets				
Cash	$	2,452	$	8,334
Accounts Receivable (Net of Allowance of $1,000)		53,692		78,449
Inventory		2,724		2,724
Total Current Assets		58,868		89,507
Property & Equipment (Net)		53,821		65,774
Other Assets				
Licenses		734,706		787,186
Intellectual Property		147,507		147,507
Investment		67,500		67,500
Deposits		29,563		2,872
Total Other Assets		979,276		1,005,065
Total Assets	$	1,091,965	$	1,160,346
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$	440,231	$	383,695
Accrued Expenses		191,194		151,839
Accrued Interest		72,906		46,363
Accrued Royalties		225,000		225,000
Loans from Shareholder		165,184		127,461
Notes Payable		318,706		374,764
Deferred Revenue		-		42,153
Total Current Liabilities		1,413,221		1,351,275
Long-term Debt				
Note payable		24,438		10,152
Total Liabilities		1,437,659		1,361,427
Stockholders' Equity (Deficit):				
Preferred Stock, Authorized 10,000,000 Shares, $.01 Par Value,				

Issued and outstanding 1,589,647		15,896		
Issued and outstanding 89,647				896
Common Stock, Authorized 950,000,000 Shares, $.001 Par Value,				
Issued and Outstanding 127,987,092		127,987		
Issued and Outstanding 97,410,092				97,410
Additional Paid in Capital		22,699,574		22,538,400
Retained Earnings (Deficit)		(23,189,151)		(22,837,787)
Total Stockholders' Equity (Deficit)		(345,694)		(201,081)
Total Liabilities and Stockholders' Equity	$	1,091,965	$	1,160,346

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

	For the Three Months Ended June 30, 2011	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
Revenues, Net	$74,272	$214,956	$191,296	$478,947
Cost of Sales	22,324	52,516	58,339	160,926
Gross Profit	51,948	162,440	132,957	318,021
Operating Expenses				
Business Development	48,896	21,752	61,243	53,978
General & Administrative	77,045	136,707	160,254	243,377
Professional Fees	35,300	24,770	51,120	126,750
Salaries & Benefits	105,052	(239,324)	146,958	120,611
Total Operating Expenses	266,293	(56,095)	419,575	544,716
Net Operating Income (Loss)	(214,345)	218,535	(286,618)	(226,695)
Other Income(Expense)				
Interest Expense	(30,972)	(18,832)	(64,746)	(31,907)
Total Other Income(Expense)	(30,972)	(18,832)	(64,746)	(31,907)
Net Income (Loss)	$(245,317)	$199,703	$(351,364)	$(258,602)
Net Income (Loss) Per Share	(0.00)	0.00	(0.00)	(0.00)
Weighted Average Shares Outstanding	115,213,792	83,903,369	106,311,991	77,788,119

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

View Systems, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Shares	Amount	Common Shares	Amount	Additional Paid-in Capital	Retained Earnings (Deficit)
Balance, December 31, 2009	89,647	$ 896	79,442,369	$ 79,442	$ 21,830,320	$ (22,324,434)
January - March 2010 - shares issued for services, notes payable and accrued interest			14,461,000	14,461	492,592	
April - June 2010 - reversal of shares issued in error			(10,000,000)	(10,000)	(290,000)	
July - September 2010 - shares issued for services, notes payable, accounts payable, and accrued interest			10,440,000	10,440	448,672	
Reclassified proceeds from prior year stock issuances					32,500	
October-December 2010 - shares issued for services,			3,066,820	3,067	24,316	
notes payable and accrued interest						
Net loss for the year ended December 31, 2010						(513,353)
Balance, December 31, 2010	89,647	896	97,410,189	97,410	22,538,400	(22,837,787)
January - March 2011 - shares issued in payment of						
			5,030,303	5,030	35,273	

accounts payable, notes payable and interest						
April - June 2011 - shares issued for services, notes and loans payable and accrued interest	1,500,000	15,000	25,546,600	25,547	125,901	
Net loss for the period ended June 30, 2011						(351,364)
Balance, June 30, 2011	1,589,647	$ 15,896	127,987,092	$ 127,987	$ 22,699,574	$ (23,189,151)

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

View Systems, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the Six Months Ended June 30, 2011	2010
Cash Flows from Operating Activities:		
Net Income (Loss)	$(351,364)	$(258,602)
Adjustments to Reconcile Net Income (Loss) to		
Net Cash Provided (Used) by Operations:		
Depreciation & Amortization	63,880	62,480
Common stock issued in payment of services	103,350	30,695
Common stock issued in payment of interest	34,741	
Preferred stock issued in payment of services	15,000	
Loss from sale of fixed assets	-	4,996
Proceeds from sale of fixed assets	-	2,036
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	24,757	133,294
Inventories	-	-
Deposits	(26,691)	-
Increase (Decrease) in:		
Accounts Payable	77,749	8,955
Accrued Expenses	39,355	23,073
Accrued Interest	26,543	28,444
Deferred Revenue	(42,153)	(87,400)
Net Cash Used in Operating Activities	(34,833)	(52,029)
Cash Flows from Investing Activities:		
Purchases of equipment	-	(259)
Net Cash Provided by (Used in) Investing Activities	-	(259)
Cash Flows from Financing Activities:		
Loans repaid under a line of credit	-	(29,559)
Principal payments on notes payable	(15,272)	(4,749)
Loans received under notes payable	-	50,000
Loans from Shareholders	44,223	(7,050)
Net Cash Provided by Financing Activities	28,951	8,642
Increase (decrease) in Cash	(5,882)	(43,646)
Cash and Cash Equivalents at Beginning of Period	8,334	70,804

Cash and Cash Equivalents at End of Period	$2,452	$27,158

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

View Systems, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)

	For the Six Months Ended June 30,	
	2011	2010
Non Cash Investing and Financing Activities:		
Notes payable paid down with common stock	26,000	100,000
Accrued interest paid with common stock	-	76,538
Loans from shareholders repaid with common stock	6,500	-
Accounts payables paid with common stock	20,660	-
Cash Paid For:		
Interest	$3,259	$5,260
Income Taxes	$-	$-

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

VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

View Systems, Inc. (the "Company") designs and develops computer software and hardware used in conjunction with surveillance capabilities. The technology utilizes the compression and decompression of digital inputs. In March 2002, the Company acquired Milestone Technology, Inc., which has developed a concealed weapons detection portal. In July 2009, the Company acquired FibreXpress, Inc., which is a company that specializes in equipment and components for the fiber optic and communication cable industries.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Milestone Technology, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from the estimates that were used.

Accounts Receivable

Accounts receivable consists of amounts due from customers. Management periodically reviews the open accounts and makes a determination as to the ultimate collectability of each account. Once it is determined that collection is in doubt the account is written off as a bad debt. In order to provide for accounts that may become uncollectible in the future, the Company has established an allowance for doubtful accounts. The balance of the allowance for doubtful accounts is based on management's judgment and the Company's prior experience with managing accounts receivable.

VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company has three main products, namely the concealed weapons detection system, the visual first responder system and the Viewmaxx digital video system. In all cases 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. The customer can engage us for installation and training, which 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. However, the customer can also self-install or can engage another firm to provide installation and training. Each product has an unconditional 30 day warranty, during which time the product can be returned for a complete refund. Prior to the issuance of financial statements management reviews any returns subsequent to the end of the accounting period which are from sales recognized during the accounting period, and makes appropriate adjustments as necessary. Product prices are fixed or determinable and products are only shipped when collectability is reasonably assured.

During 2009 the Company began to engage in the business of installing fiber optics lines in multi-family housing. The fiber optics company will engage us to install lines in various configurations or multiples of individual units. Revenue is recognized at the completion of a certain number of units and after the fiber optics company has approved the installation as complete.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in-first-out method (LIFO). All inventory as of June 30, 2011 and December 31, 2010 consisted of unassembled parts of products.

Property and Equipment

Property and equipment is recorded at cost and depreciated over their useful lives, using the straight-line and accelerated depreciation methods. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. The useful lives of property and equipment for purposes of computing depreciation are as follows:

Equipment 5-7 years
Software tools 3 years

Repairs and maintenance charges which do not increase the useful lives of assets are charged to operations as incurred. Depreciation expense for the periods ended June 30, 2011 and December 31, 2010 amounted to $11,400 and $23,141, respectively.

VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets – Licenses and Intellectual Property

In connection with the acquisition on Milestone, the Company received, among other things, various licenses to use software that had been developed by INEEL (Idaho National Engineering and Environmental Laboratory). In addition to the right to use this software, the Company also acquired, as a part of the Milestone purchase, various technical manuals, drawings, plans for hardware design and systems configuration and corporate expertise which, in total, comprised the intellectual property which is a significant element of the current secure scan system. Milestone transferred the licenses to View Systems, Inc., and in November 2003, two separate licenses were signed in the name of View Systems with Bechtel BWXT Idaho, LLC (BBWI).

BBWI is the management and operating contractor of the INEEL under its Contract No. DE-AC07-99ID13727 ("M&O Contract") and has the authorization, right and ability to grant the license of the Agreement. The licenses allow View Systems to commercially develop, manufacture, use, sell and distribute processes and products embodying the U.S. Patent No. 6.150.810 "Method for Detecting the Presence of a Ferromagnetic Object Using Maximum and Minimum Magnetic Field Data", and U.S. Patent Application S/N 10/623,372, "Communication Systems, Camera Devices, and Communication Methods".

The valuation of the intellectual property in total consists of the cost of acquiring Milestone, that is, the difference of the cost paid for the entity vs. the value of the underlying assets and liabilities which was determined to be $1,626,854. The cost is being amortized on a straight line basis over the remaining useful lives of the underlying patents, which at the date of the purchase was 15.5 years. Amortization expense for the periods ended June 30, 2011 and December 31, 2010 was $52,480 and $104,958, respectively. Consistent with SFAS No. 142, the intellectual property was also analyzed to determine if any impairment existed at June 30, 2011 and December 31, 2010. It was determined to be not impaired. The Company has fundamentally advanced the technology under which these licenses operate and it is in the process of filing for its own provisional patents.

Income Taxes

Deferred income taxes are recorded under the assets and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences, measured by enacted tax rates, attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the rate change becomes effective. Valuation allowances are recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

Research and Development

Research and development costs are expensed as incurred.

VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are charged to operations as incurred. Advertising costs for the periods ended June 30, 2011 and December 31, 2010 were $2,644 and $25,862.

Nonmonetary Transactions

Nonmonetary transactions are accounted for in accordance with Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions" which requires the transfer or distribution of a nonmonetary asset or liability to be based generally, on the fair value of the asset or liability that is received or surrendered, whichever is more clearly evident.

Financial Instruments

For most financial instruments, including cash, accounts receivable, accounts payable and accruals, management believes that the carrying amount approximates fair value, as the majority of these instruments are short-term in nature.

Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss available to common stockholder by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares and dilutive potential common share equivalents then outstanding. Potential common shares consist of shares issuable upon the exercise of stock options and warrants in addition to shares that may be issued in the event that convertible debt is exchanged for shares of common stock. The calculation of the net loss per share available to common stockholders for the periods ended June 30, 2011 and December 31, 2010 does not include potential shares of common stock equivalents, as their impact would be antidilutive. The following reconciles amounts reported in the financial statements:

VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Income (Numerator)	Shares (Denominator)	Per-share Amount
Six months ended June 30, 2011			
Income (loss) from continuing operations which is the amount that is available to common stockholders	$ (351,364)	106,311,991	$ (0.00)
Year ended December 31, 2010			
Income (loss) from continuing operations which is the amount that is available to common stockholders	$ (513,353)	80,885,437	$ (0.01)

2. GOING CONCERN

The Company has incurred and continues to incur, losses from operations. For the periods ended June 30, 2011 and December 31, 2010, the Company incurred net losses of $351,364 and $513,353, respectively. In addition, certain notes payable have come due and the note holders are demanding payment.

Management is very actively working to cure these situations. It has implemented major plans to for the future growth and development of the Company. Management is in the process of renegotiating more favorable repayment terms on the notes payable and the Company anticipates that these negotiations will result in extended payment plans. In addition, during 2011 and 2010, the Company implemented marketing and information strategies to increase public awareness of its products and thereby sales. It has established new international markets which it believes will be the source for sales growth in the very near future. It also was able to reduce the per-unit cost of manufacturing its products. Additionally, the Company has increased the efficiency of its processes and focused its development efforts on products that appear to have greater sales potential.

VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

2. GOING CONCERN (continued)

Historically, the Company has financed its operations primarily through private financing; however, sales revenue during 2011 and 2010 and decreases in expenses during 2011 and 2010 made a significant contribution to working capital. It is management's intention to finance operations during the remainder of 2011 primarily through increased sales although there will still be a need for additional equity financing. In addition, management is actively seeking out mergers and acquisitions which would be beneficial to the future growth of the Company. There can be no assurance, however, that this financing will be successful and the Company may be required to further reduce expenses and scale back operations.

3. NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. The Company has reviewed the recently issued pronouncements and concluded that there are no new accounting standards are applicable to the Company.

4. BUSINESS COMBINATION

The Company purchased 100% of the common stock of Milestone Technology, Inc., effective March 25, 2002. The purchase was accomplished in two transactions. The Company acquired 6% of Milestone in December 2001 in exchange for 500,000 shares of the Company's common stock. In March 2002, the Company acquired the remaining 94% of Milestone for 3,300,000 share of the Company's common stock. Based on the market value of the Company's common stock ($0.55 per share in December and $0.31 per share in March) the total cost of the acquisition was $1,298,000.

Milestone Technology, Inc. is a developer of concealed weapons detections systems. Its primary product is a walk-through detector that uses advanced magnetic technology to accurately pinpoint the location, size, and numbers of concealed weapons.

5. DUE FROM AFFILIATED ENTITIES

The Company advanced non-interest bearing funds of $147,507 as of June 30, 2011 and December 31, 2010 to a related corporation, The Fight Zone, Inc., (formerly Geoscopix, Inc.), which at one time was controlled by the Chief Executive Officer of the Company. During 2010 that control was lost due to the restructuring of The Fight Zone, Inc. During periods prior to the emergence of The Fight Zone, Inc. that company, which was then known as Geoscopix, Inc. had been developing a three dimensionally lensed camera system which was titled as The Gator. The Gator had promising potential industrial applications particularly in the construction industry.

The Fight Zone, Inc. is no longer capable of repaying the debt to the Company in cash however, in settlement of the debt; it has deeded the intellectual property known as The Gator to View Systems, Inc. View Systems, Inc. plans to continue the development of the product and to bring it to market as soon as possible. Accordingly the asset which was formerly reflected as the receivable from The Fight Zone, Inc. has been replaced and reclassified as intellectual property.

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VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

6. NOTES PAYABLE

Notes payable as of June 30, 2011 and December 31, 2010 consists of the following:

	2011	2010
Stockholder An unsecured loan from a stockholder which is payable on demand with interest at 12%.	116,000	116,000
Lafayette Community Bank A short term line of credit loan secured by a stockholder, payable in five monthly installments of $6,175 commencing December 25, 2009 with a balloon payment in the amount $175,630 due in May 2011. Interest accrues monthly at 7% per annum.	130,935	142,042
Investor Demand loan payable with interest at 5% per month. The loan is secured by the Company's accounts receivable.	50,000	50,000
Investor Convertible promissory note payable on December 31, 2010 with interest at 8% per annum. Upon meeting certain provisions the note can be converted to shares of common stock at $0.0033 per share.	10,500	37,000
Chase Equipment loans to finance the purchases of two trucks, payable monthly in installments of $1,003, which include interest at 5.34% per annum	35,708	39,873
TOTAL	$343,143	$384,915

Principal payments for the next five years are as follows:

2011	$318,398
2012	10,708
2013	11,294
2014	2,743
TOTAL	$343,143

VIEW SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

7. INCOME TAXES

For income tax purposes the Company has net operating loss carry forwards of $21,856,026 as of December 31, 2010 that may be used to offset future taxable income. In the instance of future corporate acquisitions, the net operating losses may be used to offset the future taxable income of a qualifying subsidiary corporation which meets IRS regulations governing such situations. The losses have accumulated since 1998 and they will start to expire in 2018.

The components of the net deferred tax asset as of December 31, 2010 are as follows:

Effect of net operating loss carry forward	$9,179,531
Less evaluation allowance	(9,179,531)
Net deferred tax asset	$-

The components of income tax expense (benefit) are as follows:

	June 30, 2011	Period ended December 31, 2010
Net loss per financial statements which approximates		
net loss per income tax returns	$(351,364)	$(513,353)
Income tax expense (benefit) applying prevailing		
Federal and state income tax rates	(147,573)	(215,608)
Less valuation allowance	147,573	215,608
Net income tax expense (benefit)	$-	$-

Net income tax benefit is not recognized at this time because there is no reasonable expectation that the benefit will be realized in the future.

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

8. PREFERRED STOCK

In July 2005 the Company issued 7,171,725 shares of Series A Preferred Stock in payment of services. The issuance had been previously authorized by the Board of Directors. Each share of Series A Preferred Stock has a liquidation preference, in the event of liquidation of the corporation, of $0.01 per share before any payment or distribution is made to the holders of common stock. Effective in 2010 the Series A Preferred can be converted into common stock in the ratio of 15:1. Each share is entitled to fifteen votes and shall be entitled to vote on any matters brought to a vote on the common stock shareholder.

During 2008 the Board of Directors approved a reverse split of the stock in which one new share of preferred stock was issued in exchange for each 80 shares of stock outstanding. Accordingly, the total issued of preferred stock was adjusted from 7,171,725 shares to 89,647 shares. The par value and the total authorized shares did not change.

Preferred Stock Issued for Services

During the six months ended June 30, 2011 the Company issued the following compensatory shares outside of its existing Stock Option and Restricted Share Plans at the discretion of the Board of Directors:

	2011 Number of Shares	Expense Recognized
Officers and employees	1,000,000	$ 10,000
Independent contractors and consultants	500,000	5,000
Total	1,500,000	$ 15,000

9. OPERATING LEASE

The Company leases 3,600 sq. ft. of office and warehouse space at 1550 Caton Center Drive, Suites D and E, Baltimore, Maryland, under a three-year non-cancellable operating lease which expired in October 2008. A renewal of the lease expired on August 31, 2010, and the Company renewed the lease for one year commencing September 1, 2010 and expiring August 31, 2011. The base rent had been $3,047 per month with an annual rent escalator of 3%. Under the current renewal the monthly lease payment is $3,077. Rent expense was $16,621 and $47,789 for the periods ended June 30, 2011 and December 31, 2010, respectively.

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

10. STOCK BASED COMPENSATION

During the periods ended June 30, 2011 and December 31, 2010 the Company granted restricted stock to independent contractors and consultants.

Restricted Stock Grants

Our 1999 Restricted Share Plan terminated automatically pursuant to the terms of its agreement on March 1, 2009.

Our 2000 Restricted Share Plan terminated automatically pursuant to the terms of its agreement on March 15, 2010.

On April 2, 2010 the Company adopted its 2010 Equity Incentive Plan. Reserved for equity issuances under the Equity Incentive Plan are 50,000,000 shares of our common stock. No equity issuances have been made from the 2010 Equity Incentive Plan.

On June 1, 2010 the Company adopted its 2010 Service Provider Stock Compensation Plan. Reserved for equity issuances under the Service Provider Stock Compensation Plan are 50,000,000 shares of our common stock. No equity issuances were made during the reporting period from the 2010 Service Provider Stock Compensation Plan.

During the six months ended June 30, 2011 and the year ended December 31, 2010, the Company issued the following compensatory shares outside of its existing Stock Option and Restricted Share Plans at the discretion of the Board of Directors:

	2011 Number of Shares	Expense Recognized	2010 Number of Shares	Expense Recognized
Officers and employees	0	$0	500,000	$15,000
Independent contractors and consultants	5,200,000	17,160	10,919,810	184,095
Total	5,200,000	$17,160	11,419,810	$199,095

Independent contractors and consultants' expense was based on the estimated value of services rendered or the value of the common stock issued, if more appropriate.

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VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND DECEMBER 31, 2010

Stock Options and Warrants

Our 1999 Employee Stock Option Plan terminated automatically pursuant to the terms of its agreement on March 1, 2009. Footnote 10 in our Form 10-K for the year ended December 31, 2009 should have reported that 1,346 stock options (adjusted for the stock split in 2008) were expired as of March 1, 2009. Instead, the stock option table in Footnote 10 incorrectly reported these options as being outstanding at December 31, 2009.

On April 2, 2010, the Company adopted its 2010 Equity Incentive Plan, which authorized, among other forms of incentives, the issuance of stock options. Reserved for equity issuances under the 2010 Equity Incentive Plan are 50,000,000 shares of our common stock. No equity issuances have been made from the 2010 Equity Incentive Plan. Stock options, which may be tax qualified and non-qualified, are exercisable for a period of up to ten years at prices at or above market prices as established on the date of the grant.

11. RELATED PARTY TRANSACTIONS

During the periods reflected on this report certain shareholders made cash advances to the Company to help with short-term working capital needs. The total additions to loans from shareholders with unstructured payment plans amounted to $6,934 during 2010 and $37,723 during the six months ended June 30, 2011. The total balance due on unstructured loans from shareholders amount to $165,184 at June 30, 2011 and $127,461 at December 31, 2010. Loans from stockholders made with repayment terms are described in Note 6 above.

12. CORRECTION FOR DUPLICATIVE STOCK ISSUANCE

On January 13, 2010, we inadvertently issued a total of 10,000,000 shares of common stock to two of our directors who had previously been issued a total of 10,000,000 shares of common stock in December 2009. The duplicative issuance did not affect the directors’ reporting of their actual stock holdings. However, the duplicative stock issuance was recorded in our financial statements and reported on Form 10-Q for the period ended March 31, 2010. We have reversed the expense item attributed to the duplicative stock issuance which results in a decrease in our expenses of $300,000.

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

EXECUTIVE OVERVIEW

The following analysis of our consolidated financial condition and results of operations for the six months ended June 30, 2011 should be read in conjunction with the Consolidated Financial Statements and other information presented elsewhere in this quarterly report.

Overview

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

Our current product lines are related to visual surveillance, intrusion detection and physical security. In February 2010 we introduced a new product that we call the MINI (Mobile Intelligent Network Informer). We have received multiple inquires about the need for such a device during 2008 and have invested engineering resources to create a working device. In the fall of 2009 we discovered a device in China that fit our specifications closely so we decided to enter the market with that device instead of continuing to spend our own engineering dollars. We commenced Internet sales efforts of the MINI as a distributor in February 2010. We had a net of seventeen sales in 201. We did not have any sales during the first half of fiscal year 2011, which we believe resulted from our lack of available funding for marketing efforts. However, we generated revenues during the six month period ended June 30, 2011 of $191,296, which consisted of Secure Scan, Viewmaxx, TM Series, and Service, warranty and training.

During 2009, the Company secured significant international sales opportunities for ViewScan in China and the Middle East through our respective local agents. However, no sales have occurred in China in 2010, and we have been unable to fill orders from the Middle East due to personnel issues in our product assembly locations. We will continue to work closely with our overseas agents to assist them in securing new orders and to resolve our product assembly issues. In addition we will seek new agents for as yet untapped markets for ViewScan and our range of security technologies.

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

Fiber optic contract installations peaked for 2010 in the summer months.

Our strategy for 2011 for ViewScan is to extend our sales and service provisions. To increase sales we offer demonstrations of our products to potential customers in specific geographical areas and at region - specific trade shows, such as sheriff's conventions, court administrators' meetings, civil support team, state police and dealer shows. When a demonstration results in a sale of one of our products, then we attempt to expand that market by contacting other potential customers in the area, such as, correctional facilities, courthouses and other municipal buildings.

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

When possible we have conserved our cash by paying employees, consultants, and independent contractors with our common stock. As of March 2010, our outstanding equity compensation and equity incentive plans established in 1999 and 2000 had expired by their terms. We implemented two new plans in April and June 2010, respectively. On April 2, 2010, by majority shareholder consent, we adopted our 2010 Equity Incentive Plan. Reserved for equity issuances under the Equity Incentive Plan are 50,000,000 shares of our common stock. On June 1, 2010, by majority shareholder consent, we adopted our 2010 Service Provider Stock Compensation Plan. Reserved for equity issuances under the Service Provider Stock Compensation Plan are 50,000,000 shares of our common stock. On July 21, 2010, we registered the common stock issuable under the 2010 Equity Incentive Plan and the 2010 Service Provider Stock Compensation Plan. A total of 100,000,000 shares are reserved for issuances under the two plans.

Correction to Previously Reported Shares Outstanding and Expenses

Our financial statements for the quarter ended March 31, 2010 and our reporting of shares outstanding on Form 10-Q for the quarter ended March 31, 2010 overstated our expenses from stock issuance by $300,000 and reported 10,000,000 more shares outstanding than was actually the case. The error was caused by a duplicitous January 13, 2010 instruction to our transfer agent to issue shares that had been issued in December 2009. The error did not affect the beneficial ownership reporting by shareholders. We discovered the error and made an adjustment to our financial statements for the quarter ended March 31, 2010 by reversing the expense item attributed to the duplicative stock issuance which resulted in a decrease in our expenses of $300,000 and a corresponding increase in revenue. Because the adjustment was picked up in our report for the quarter ended June 30, 2010, we have presented our consolidated statements of operations and cash flows, which compare the periods ended June 30, 2011 with June 30, 2010, using the June 30, 2010 information without adjustment and as reported in our Form 10-Q for the period ended June 30, 2010.

Form S-1 Registration Statement Declared Effective

On October 7, 2010, we filed a registration statement on Form S-1 to register 50,000,000 shares of our common stock with the hope of raising up to $1 million. The Form S-1 was declared effective by the U.S. Securities & Exchange Commission on March 25, 2011. The stated primary purposes of the offering are to obtain additional capital to: (1) facilitate product fulfillment (manufacturing, packaging and shipment), which we anticipate will enable future orders to be self funding; (2) provide working capital to finance corporate acquisitions and the integration of new technologies; and (3) retire debt through cash payment or the exchange of debt obligations with payment in registered Common Stock. The registration statement also registered for resale 1,500,000 shares of restricted common stock issued to one of our consultants in exchange for forgiveness of debt.

Products and Services

Our current principal products and services include:

1. ViewScan Concealed Weapons Detection System

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

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

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

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

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

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

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

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

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

2. Multi-Mission Mobil Video

The Multi-Mission Mobil Video (MMV) is a lightweight, wireless camera system housed in a tough, waterproof body. The camera system sends back real-time images to a computer or video monitor at the command post located outside the exclusion zone or containment area. The MMV is able to transmit high quality video in the most difficult environments. The image is received from the MMV and displayed on a monitor and can be easily recorded using a common camcorder or VCR with video input. The camera can be completely submerged for fast and easy decontamination.

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

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

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

3. ViewMaxx Digital Video System

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

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

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

Our ViewMaxx products include the following features:

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

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

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

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

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

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

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

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

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

Depending on the features of a particular system the retail price including installation can range from approximately $5,000 up to $50,000.

4. Additional Applications and Integration of ViewScan and ViewMaxx

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

5. The MINI

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

We license the MINI from its manufacturer and act as a distributor. We established a dedicated e-commerce platform for the direct sale of this innovative product, which went online in February 2010. We are marketing the MINI to large potential users, such as real property managers, as well as retail customers through the www.minicamsim.com website. We have had non-material amounts of revenue from MINI sales thus far, which we attribute to a lack of advertising funds and market awareness.

6. Network Services

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

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

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

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

7. FiberXpress, Inc.

On July 24, 2009 we entered into an asset purchase agreement to acquire FiberXpress, Inc., a company that sells specialist data network related products through its Internet web site. The transaction closed on September 15, 2009 with an exchange of stock and the hiring of William Paul Price. The acquisition has not been material to our financial statements. The FiberXpress acquisition has not resulted in meaningful sales, and we are looking for suitable options.

8. Visisys Ltd .

The status of View Systems' partnership with Visisys is uncertain. There were no sales in either 2011 or 2010 from this partnership, and we may terminate the relationship in the coming months.

9. Training and Service Programs

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.

RESULTS OF OPERATIONS

The following discussions are based on our consolidated financial statements, including our subsidiaries. These charts and discussions summarize our financial statements for the six months ended June 30, 2011 and June 30, 2010 and should be read in conjunction with the financial statements, and notes thereto, included with our most recent Form 10-K for fiscal year ended December 31, 2010.

SUMMARY COMPARISON OF OPERATING RESULTS*

	Six months ended June 30,	
	2011	2010
Revenues, net	$191,296	$478,947
Cost of sales	58,339	160,926
Gross profit (loss)	132,957	318,021
Total operating expenses	419,575	544,716
Profit (Loss) from operations	(286,618)	(226,695)
Total other income (expense)	(64,746)	(31,907)
Net income (loss)	(351,364)	(258,602)
Net income (loss) per share	$(0.00)	$(0.00)

* Please see our discussion of the effect of a reversal of an expense item attributed to duplicative stock issuances , which resulted in a decrease in expenses of $300,000 during the three-month period ended June 30, 2010 as disclosed in the financial information in footnote 12 entitled “Correction to Previously Reported Shares Outstanding and Expenses.” .

Six Month Period Ended June 30, 2011 Compared to Six Month Period Ended June 30, 2010.

Our net loss for the six month period ended June 30, 2011 was ($351,364) compared to a net loss of ($258,602) during the six month period ended June 30, 2011 (an increase in net loss of $92,762). We generated net revenues of $191,296 during the six month period ended June 30, 2011 compared to $478,947 during the six month period ended June 30, 2010. Revenue is considered earned when the product is shipped to the customer. The concealed weapons system and the digital video system each require installation and training. Training is a revenue source separate and apart from the sale of the product. In those cases revenue is recognized at the completion of the installation and training.

We have experienced a decrease in sales of our products which resulted in decreased revenues for the six month period ended June 30, 2011 compared to the six month period ended June 30, 2010. We believe the decreased revenue is the result of the domestic and worldwide down turn of the economy. We also believe that the decreased revenue is the result of inadequate funding for marketing expenses. We have inquiries for quotes from various countries, including Turkey, Lebanon and Georgia. Management anticipates that increases in revenues may resume if these sales and marketing channels are successfully developed. We intend to continue to establish local sales and service offices in geographic areas where we have already completed sales.

Cost of goods sold decreased during the six month period ended June 30, 2011 to $58,339 from $160,926 incurred during the six month period ended June 30, 2010, resulting in a gross profit of $132,957 for the six month period ended June 30, 2011 compared to a gross profit of $318,021 for the six month period ended June 30, 2010. During the six month period ended June 30, 2011, the prevailing trend of decreasing cost of goods sold was due to a decline in the security-related products ordered by government agencies. We believe that this trend is temporary and that our products will resume their popularity when government budgets have been reinstated. Going forward our efforts and our attention are focused on future fiber (FIOS) data installation work and other opportunities in the video surveillance market.

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

We currently have a backlog of $1.3 plus Million. We are diligently working to deliver 64 units of Secure Scans to Michigan and Pennsylvania school systems. In addition, we are building 40 plus units to a variety of prisons, courts and office buildings domestically and two Middle East governments.

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

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

During the six month period ended June 30, 2011, we incurred operating expenses of $419,575 compared to $544,716 incurred during the six month ended June 30, 2010 (a decrease of $125,141). These operating expenses incurred during the six month period ended June 30, 2011 consisted of: (i) business development of $61,243 (2010: $53,978); (ii) general and administrative of $160,254 (2010: $243,377); (iii) professional fees of $51,120 (2010: $126,750); and (iv) salaries and benefits of $146,958 (2010: $120,611).

Operating expenses incurred during the six month period ended June 30, 2011 compared to the six month period ended June 30, 2010 decreased primarily due to the decrease in general and administrative expenses of $83,123 and the decrease in professional fees of $75,630. The decrease in professional fees and general and administrative relates primarily to decrease in the general scope of our business operations. General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Our net operating loss during the six month period ended June 30, 2011 was ($286,618) compared to a net operating loss of ($226,695) during the six month period ended June 30, 2010.

During the six month period ended June30, 2011, other expense in the amount of ($64,746) (2010: ($31,907)) in interest expense was incurred. This resulted in net loss of ($351,364) for the six month period ended June 30, 2011 compared to a net loss of ($258,602) for the six month period ended June 30, 2010. The weighted average number of shares outstanding was 106,311,991 for the six month period ended June 30, 2011 compared to 77,788,119 for the six month period ended June 30, 2010.

Three Month Period Ended June 30, 2011 Compared to Three Month Period Ended June 30, 2010.

Our net loss for the three month period ended June 30, 2011 was ($245,317) compared to a net profit of $199,703 during the three month period ended June 30, 2010 (an increase in net loss of $5,644). We generated net revenues of $74,272 during the three month period ended June 30, 2011 compared to $214,956 during the three month period June 30, 2010.

Cost of goods sold decreased during the three month period ended June 30, 2011 to $22,324 from $52,516 during the three month period ended June 30, 2010 resulting in a gross profit of $51,948 for the three month period ended June 30, 2011 compared to a gross profit of $162,440 for the three month period ended June 30, 2010.

During the three month period ended June 30, 2011, we incurred operating expenses of $266,293 compared to $183,229, which were offset by ($239,324) for the adjustment relating to the duplicative stock issuances.) incurred during the three month ended June 30, 2010. These operating expenses incurred during the three month period ended June 30, 2011 consisted of: (i) business development of $48,896 (2010: $21,752); (ii) general and administrative of $77,045 (2010: $136,707); (iii) professional fees of $35,300 (2010: $24,770); and (iv) salaries and benefits of $105,052 (2010: ($239,324)).

Operating expenses incurred during the three month period ended June 30, 2011 compared to the three month period ended June 30, 2011 increased primarily due to the adjustment of $300,000 during the three month period ended June 30, 2010 attributable to the duplicative issuance of shares.

Our net operating loss during the three month period ended June 30, 2011 was ($214,345) compared to a net operating income of $218,535 during the three month period ended June 30, 2010.

During the three month period ended June 30, 2011, other expense in the amount of ($30,972) (2010: ($18,832)) in interest expense was incurred. This resulted in net loss of ($245,317) for the three month period ended June 30, 2011 compared to a net income of $199,703 for the three month period ended June 30, 2010. The weighted average number of shares outstanding was 115,213,792 for the three month period ended June 30, 2011compared to 83,903,369 for the three month period ended June 30, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Six Month Period Ended June 30, 2011

As at the six month period ended June 30, 2011, our current assets were $58,868 and our current liabilities were $1,413,221, which resulted in a working capital deficit of $1,354,353. As at the six month period ended June 30, 2011, current assets were comprised of: (i) $2,452 in cash; (ii) $53,692 in accounts receivable (net of allowance of $1,000); and (iii) $2,724 in inventory. As at the six month period ended June 30, 2011, current liabilities were comprised of: (i) $440,231 in accounts payable; (ii) $191,194 in accrued expenses; (iii) $72,906 in accrued interest; (iv) $225,000 in accrued royalties; (v) $165,184 in loan from shareholder; and (vi) $318,706 in deferred revenue.

As at the six month period ended June 30, 2011, our total assets were $1,091,965 comprised of: (i) current assets in the amount of $58,868; (ii) licenses valued at $734,706; (iii) $147,507 in valuation of intellectual property; (iv) $67,500 in investment; and (v) $29,563 in deposits. The slight decrease in total assets during the six month period ended June 30, 2011 from fiscal year ended December 31, 2010 was due primarily due to the decrease in accounts receivable.

As at the six month period ended June 30, 2011, our total liabilities were $1,437,659 comprised of: (i) current liabilities in the amount of $1,413,221; and (ii) notes payable of $24,438. The slight increase in liabilities during the six month period ended June 30, 2011 from fiscal year ended December 31, 2010 was primarily due to the increase in current liabilities in accounts payable, accrued expenses, loans from shareholder and accrued interest.

Stockholders' equity (deficit) increased from ($201,081) for fiscal year ended December 31, 2010 to ($345,694) for the six month period ended June 30, 2011.

Cash Flows from Operating Activities

We have generated positive cash flows from operating activities during the period. For the six month period ended June 30, 2011, net cash flows used in operating activities was ($34,833) consisting primarily of net loss of ($351,364). Net cash flows used in operating activities was adjusted by $63,880 in depreciation and amortization, $103,350 in common stock issued in payment of services, $34,741 in common stock issue in payment of interest and $15,000 in preferred stock issued in payment of services. Net cash flows used in operating activities was further changed by an increase in accounts payable of $77,749, accrued expenses of $39,355, accrued interest of $26,543 and deposits of $26,691. Net cash flows used in operating activities was further changed by a decrease in deferred revenue of $42,153 and in accounts receivable of $24,757.

Cash Flows from Investing Activities

For the six month period ended June 30, 2011, net cash flows used in investing activities was -0-.

Cash Flows from Financing Activities

We have financed our operations primarily from the generation of revenues and from either advancements or the issuance of equity and debt instruments. For the six month period ended June 30, 2011, net cash flows provided from financing activities was $28,951 consisting of $44,223 in loans from shareholders which was offset by $15,272 in principal payments on notes payable.

We expect that working capital requirements will continue to be funded through a combination of our existing funds, revenues, cash flow, debt financing and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business.

PLAN OF OPERATION AND FUNDING

We have incurred losses for the past two fiscal years and had a net loss of $351,364 for the six month period ended June 30, 2011. We had insufficient funds to deliver our backlog in the last half of 2010. Our revenues from several product sales have been increasing and some others decreasing but are not sufficient to cover all of our operating expenses. Our auditors have expressed substantial doubt that we can continue as a going concern. We are continuing to push sales and control costs.

On March 25, 2011, the Securities and Exchange Commission declared effective a registration statement registering an offering of common stock which we anticipate will fund growth and acquisitions during the coming year. We have re-audited our financial statements for the year ended December 31, 2008 as a result of the Securities and Exchange Commission's concerns that our principal accountant was not independent at the time that the audit of our 2008 financial statements was conducted. The re-audited financial statements are included in Form 10-K/A to the 2008 10-K, which was filed with the Securities and Exchange Commission on January 14, 2010.

Management intends to finance our 2011 operations primarily with the revenue from product sales and any cash short falls will be addressed through equity or debt financing, if available. We have the present ability to raise cash using an effective Form S-1 registration statement, provided that we are able to self-underwrite the offering or find a suitable investment banker willing to underwrite the offering in whole or in part. Management expects revenues will continue to increase but not to the point of profitability in the short term. We will need to continue to raise additional capital, both internally and externally, to cover cash shortfalls and to compete in our markets. At our current revenue levels management believes we will require an additional $1,200,000 in equity financing during the next 12 months to satisfy our cash requirements of approximately $100,000 per month for operations and to facilitate our business plan.

These operating costs include cost of sales, general and administrative expenses, salaries and benefits and professional fees related to contracting engineers. We have insufficient financing commitments in place to meet our expected cash requirements for 2011 and we cannot assure you that we will be able to obtain financing on favorable terms. If we cannot obtain financing to fund our operations in 2011, then we may be required to reduce our expenses and scale back our operations.

Commitments and Contingent Liabilities

We lease 3,600 sq. ft. of office and warehouse space at 1550 Caton Center Drive, Suites D and E, Baltimore, Maryland, under a three year non-cancellable operating lease which expired in October 2008. A recent renewal of the lease expired on August 31, 2010, and we again renewed the lease for one year which commenced September 1, 2010 and expires August 31, 2011. The base rent had been $3,047 per month with an annual rent escalator of 3%. Under the current renewal the monthly lease payment is $3,077. Rent expense was $16,621 and $47,789 for the periods ended June 30, 2011 and December 31, 2010, respectively.

Our total current liabilities increased to $1,413,221 at June 30, 2011 compared to $1,351,275 at December 31, 2010.

As of June 30, 2011, our short and long term notes payable consist of the following:

We have an unsecured convertible loan from a former director, William D. Smith, in the principal amount of $116,000. The holder of the note has been receiving interest payments irregularly in the form of cash and common stock. The amount currently outstanding is $116,000.

We have a line of credit arranged for and secured by our Director Dr. Bagnoli in the amount of $200,000 of which the outstanding balance is $148,506. Interest is payable monthly at 7% per annum and the loan is due during 2010. The line of credit was used to purchase inventory and equipment for our fiber optics business.

We have two vehicles financed in 2009 through Chase Auto Finance in the principal amounts of $35,708. Combined payments are $1,003 per month which includes interest at 5.34%. The loans are for 60 months with the final payments due in July 2014.

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

We have a convertible promissory note in the amount of $50,000 payable on December 31, 2010 with interest at 8% per annum. The loan is convertible into 5,005,562 shares of common stock. During 2010, we issued 2,066,820 shares which paid for accrued interest and principal of $13,000. The balance due at June 30, 2011 was $10,500.

A loan of $100,000 was due in full on November 1, 2007 with interest at 7%. The holder of this note has demanded payment and has chosen to convert to equity. In February 2010, agreement was reached with the holder of the loan due on November 1, 2007. The Holder agreed to accept 3,500,000 common shares in payment, which he will liquidate to realize the principal sum of $100,000 plus associated costs and fees. The total due under this loan at the date of settlement in January 2010 was $163,366.27. Should the holder not realize $163,366.27 from the sale of 3,500,000 shares, then he will be granted additional shares to resolve any shortfall, provided his sales have been in good faith.

Off-Balance Sheet Arrangements

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

Contractual Obligations

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

Critical Accounting Policies

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

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

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

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

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

We evaluate the cost of maintaining the license,

We consider the possible effects of obsolescence, and

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

Going Concern Opinion

You should carefully consider the risks, uncertainties and other factors identified below because they could materially and adversely affect our business, financial condition, operating results and prospects and could negatively affect the market price of our Common Stock. Also, you should be aware that the risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we do not yet know of, or that we currently believe are immaterial, may also impair our business operations and financial results. Our business, financial condition or results of operations could be harmed by any of these risks. The trading price of our Common Stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks you should also refer to the information contained in or incorporated by reference to our Form 10-K for the year ended December 31, 2010, including our financial statements and the related notes thereto.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer/Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of June 30, 2011. Based on such evaluation, we have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer/Principal Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining internal control over our financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over our financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairy reflect our transactions.

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error or circumvention through collusion of improper overriding of controls. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSD) in Internal-Control-Integrated Framework and implemented a process to monitor and assess both the design and operating effectiveness of our internal controls. Based on this assessment, management believes that as of June 30, 2011, our internal control over financial reporting was effective.

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

Changes in Internal Control Over Financial Reporting

Our management has evaluated, with the participation of our Chief Executive Officer/Chief Financial Officer, changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the period ended June 30, 2011. In connection with such evaluation, there have been no changes to our internal control over financial reporting that occurred since the beginning of our six month period ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

During the six month period ended June 30, 2011, we issued shares as follows:

During the six month period ended June 30, 2011, we issued an aggregate 1,500,000 shares of our Series A Preferred Stock at a per share price of $0.01 as compensatory shares to certain of our officers, employees, independent contractors and consultants, which resulted in the recognition of $15,000 in expense. The shares of Series A Preferred Stock were issued in reliance on either Section 4(2) or Regulation S promulgated under the Securities Act. The per share price of the shares were valued at the fair market value of our stock at the date of issuance. The shares of Series A Preferred Stock have not been registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the United States Securities and Exchange Commission or an applicable exemption from the registration requirements. The investors each acknowledged that the securities to be issued have not been registered under the Securities Act, that they understood the economic risk of an investment in the securities, and that they had the opportunity to ask questions of and receive answers from our management concerning any and all matters related to acquisition of the securities.

During the six month period ended June 30, 2011, we issued an aggregate 5,200,000 shares of our restricted common stock at a per share price of $0.003 as compensatory shares to certain of our officers, employees, independent contractors and consultants, which resulted in the recognition of $17,160 in expense. The shares of common stock were issued in reliance on either Section 4(2) or Regulation S promulgated under the Securities Act. The per share price of the shares were valued at the fair market value of our stock at the date of issuance. The shares of common stock have not been registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the United States Securities and Exchange Commission or an applicable exemption from the registration requirements. The investors each acknowledged that the securities to be issued have not been registered under the Securities Act, that they understood the economic risk of an investment in the securities, and that they had the opportunity to ask questions of and receive answers from our management concerning any and all matters related to acquisition of the securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. OTHER INFORMATION

RESIGNATION OF DIRECTOR

On approximately May 31, 2011, William Paul Price resigned from our Board of Directors citing personal reasons. Mr. Price will continue to serve us in the capacity of Vice President. Mr. Price did not resign because of a disagreement with us on any matters relating to our operations, practices or policies.

ITEM 6. EXHIBITS

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

4.2	Subscription Agreement between View Systems, Inc. and Starr Consulting, Inc., Active Stealth, LLC, and KCS Referral Service LLC, dated December 23, 2005 *
10.1	View Systems, Inc. 2010 Equity Incentive Plan ****
10.2	Employment agreement between View Systems, Inc. and Gunther Than, dated December 1, 2009 **
10.3	Subcontractor Agreement dated March 9, 2009 between MasTec North America, Inc. and View Systems, Inc. ***
10.4	View Systems, Inc. 2010 Service Provider Stock Compensation Plan *****
31.1	Rule 13a-15(e)/15d-15(e) Certification by the Chief Executive Officer and Chief Financial Officer
32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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*	Incorporated by reference to exhibit 4.1 of Form 8-K, filed January 6, 2006.
**	Incorporated by reference to exhibit 10.1 to Form 8-K, filed January 11, 2010.
***	Incorporated by reference to exhibit 10.3 for Form 10-Q, Amendment No. 1, for the period ended March 31, 2009.
****	Incorporated by reference to exhibit 10.1 to Form 10-Q for the period ended March 31, 2010.
*****	Incorporated by reference to exhibit 10.4 to Form 10-Q for the period ended June 30, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VIEW SYSTEMS, INC.

Date: August 5, 2011	By:	/s/ Gunther Than Gunther Than Chief Executive Officer (Principal executive officer, principal financial officer, and principal accounting officer)