

Edgar Filing: VIEW SYSTEMS INC - Form 10QSB

VIEW SYSTEMS INC
Form 10QSB
August 21, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE
- SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-30178

VIEW SYSTEMS, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Florida 59-2928366

(State or Other Jurisdiction of
Incorporation or Organization)

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

925 West Kenyon Avenue,
Englewood, Colorado 80110

(Address of Principal Executive Offices)

(303) 783-9153

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed
Since Last Report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes -- No ____

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APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 15,225,620 shares of common stock as of June 30, 2001.

Transitional Small Business Disclosure Format (check one):

Yes ___ No x

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ITEM 1. FINANCIAL STATEMENTS

VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

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	Three Months Ended		S
	June 30, 2001	June 30, 2000	June 200
	-----	-----	-----
REVENUE:			
Sales of security systems	\$ 90,780	\$ 97,360	\$ 432
Sales of assembled electronic components	-	133,720	9
	-----	-----	-----
Total sales	90,780	231,080	442
Cost of goods sold	54,990	130,361	198
	-----	-----	-----
GROSS PROFIT ON SALES	35,790	100,719	243
	-----	-----	-----
OPERATING EXPENSES:			
Advertising and promotion	549	962	1
Amortization	28,284	27,281	56
Depreciation	11,191	9,221	22
Dues and subscriptions	1,190	1,426	1
Insurance	9,192	4,847	16
Interest	2,842	5,358	8
Investor relations	17,966	-	51
Miscellaneous expense	2,112	740	9
Office expenses	37,180	29,993	63
Professional fees	113,243	74,878	227
Rent	40,967	26,859	80
Repairs and maintenance	4,299	2,514	7
Research and development	-	45,537	-
Salaries and benefits	131,511	151,889	305
Sales promotions	6,986	21,741	24
Taxes - other	2,221	100	9
Travel	15,546	12,625	24
Utilities	6,539	4,799	11
	-----	-----	-----
Total operating expenses	431,818	420,770	921
	-----	-----	-----
NET LOSS FOR THE PERIODS	\$ (396,028)	\$ (320,051)	\$ (678)
	=====	=====	=====
LOSS PER SHARE:			
Basic	\$ (0.03)	\$ (0.04)	\$ (
	=====	=====	=====
Diluted	\$ (0.03)	\$ (0.04)	\$ (
	=====	=====	=====

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See Accompanying Notes

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VIEW SYSTEMS, INC.

CONSOLIDATED BALANCE SHEET

ASSETS

	June 30, 2001	Decem 2
	----- (Unaudited)	-----
CURRENT ASSETS:		
Cash	\$ 90,807	\$ 26
Accounts receivable (net)	311,471	15
Inventory	244,011	9
	-----	-----
Total current assets	646,289	51
	-----	-----
PROPERTY AND EQUIPMENT:		
Equipment	416,863	38
Leasehold improvements	20,261	2
	-----	-----
Less accumulated depreciation	437,124	40
	102,196	7
	-----	-----
Net value of property and equipment	334,928	32
	-----	-----
OTHER ASSETS:		
Goodwill	837,815	89
Investments	28,000	2
Due from affiliated entity	105,552	10
Due from stockholders	76,099	2
Deposits	3,332	2
	-----	-----
Total other assets	1,050,798	1,04
	-----	-----
TOTAL ASSETS	\$2,032,015	\$1,88
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 401,657	\$ 40
Note payable - bank	17,083	4
Notes payable	110,000	11
Accrued interest payable	27,500	2
Other accrued liabilities	1,490	3
Due to stockholder	-	-

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	-----	-----
Total current liabilities	557,730	60
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock - par value \$0.001		
50,000,000 shares authorized,		
13,666,031 shares issued and outstanding	13,666	
11,481,031 shares issued and outstanding	-	1
Additional paid-in capital	8,237,317	7,36
Accumulated deficit	(6,776,698)	(6,09
	-----	-----
Total stockholders' equity	1,474,285	1,27
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,032,015	\$ 1,88
	=====	=====
See Accompanying Notes		

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VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2000 TO JUNE 30, 2001

	Common Stock -----	Additional Paid-In Capital -----	Accumulated Deficit -----
Balances at January 1, 2000	\$ 7,167	\$ 5,334,342	\$(3,893,648)
Sale of common stock	1,134	724,142	-
Stock options exercised	85	845	-
Net loss for the six months ended June 30, 2000	-	-	(776,315)
	-----	-----	-----
Balances at June 30, 2000 (Unaudited)	8,386	6,059,329	(4,669,963)
Sale of common stock	1,612	723,026	-
Stock options exercised	100	978	-
Issuance of common stock (employee and other compensation)	1,383	581,169	-
Net loss for the period of July 1, 2000			

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to December 31, 2000	-	-	(1,427,967)
	-----	-----	-----
Balances at December 31, 2000	11,481	7,364,502	(6,097,930)
Sale of common stock	2,125	847,875	-
Issuance of common stock for services	60	24,940	-
Net loss for the six months ended June 30, 2001	-	-	(678,768)
	-----	-----	-----
Balances at June 30, 2001 (Unaudited)	\$ 13,666	\$8,237,317	\$(6,776,698)
	=====	=====	=====

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VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED

	June 30, 2001 ----- (Unaudited)	June 20 ----- (Unau
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(678,768)	\$(77
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78,950	7
Stock issued for services	25,000	
Changes in operating assets and liabilities:		
Accounts receivable	(156,454)	(1
Inventory	(148,672)	(4
Deposit	(2,500)	(
Accounts payable	410	8
Accrued interest	5,500	
Other accrued liabilities	(30,461)	
	-----	-----
Net cash used in operating activities	(906,995)	(66
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(34,254)	(3
Funds advanced to affiliated entities	-	1
	-----	-----
Net cash used in investing activities	(34,254)	(1

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CASH FLOWS FROM FINANCING ACTIVITIES:		
Funds advanced from (to) shareholders	(58,189)	(3
Repayment of note payable - bank	(25,000)	(
Proceeds from sales of stock	850,000	72
	-----	-----
Net cash provided by financing activities	766,811	68
	-----	-----
NET (DECREASE) /INCREASE IN CASH	(174,438)	
CASH AT BEGINNING OF PERIOD	265,245	8
	-----	-----
CASH AT END OF PERIOD	\$ 90,807	\$ 9
	=====	=====

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VIEW SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000

1. 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. Operations, from formation to June 30, 1999, have been devoted primarily to raising capital, developing the technology, promotion, and administrative function. As of July 1, 1999 the Company was no longer considered to be in the development stage.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Real View Systems, Inc. ("Real View"), Xyros Systems, Inc. ("Xyros") and Eastern Tech Manufacturing, Inc. ("ETMC"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. 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.

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Revenue Recognition

The Company and its subsidiaries recognize revenue and the related cost of goods sold upon shipment of the product.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements". SAB 101 summarizes certain of the SEC's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. The Company adopted SAB 101 in the fourth quarter of 2000. The adoption of SAB 101 had no impact on the Company's financial position or results of operations.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in-first-out method (LIFO).

Property and Equipment

Property and equipment is recorded at cost and depreciated over their estimated 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

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read and reviewed in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in the Company's Annual Report on Form 10-QSB for the year ended December 31, 2000. In addition to historical information, this Form 10-QSB contains forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans and expectations. The Company's actual results could differ materially from management's expectations.

Since start-up of operations in September 1998, we have devoted most of our resources to the development, sale and marketing of digital video surveillance and security products. We have generated limited revenues from our security products to date, but are rapidly expanding our sales and distribution network. At the same time we are working on delivering new products to market and enhancing and upgrading our product line. Until we more fully develop our product line and our sales and distribution network, we expect our operating losses to continue. We have provided contract manufacturing services since May, 1999, when we acquired ETMC. ETMC had provided such services for more than 15 years and had an established customer base. We have continued the contract manufacturing business line, while increasing ETMC's manufacturing capacity to permit production of our products.

Six Months Ended June 30, 2001 Compared With the Six Months Ended June 30, 2000

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Revenue

For the six months ended June 30, 2001, revenues from sales of our products increased \$317,229 or 275% to \$432,489 from \$115,260 in the same period last year, and revenues from sales of our services decreased \$216,720 or 96% to \$9,512 from \$226,232 in the same period last year. Of the \$442,001 in total revenue during the six month period ended June 30, 2001, \$432,489 or 98% was derived from sales of systems and \$9,512 or 2% from sales of contract manufacturing services. The ratio of security systems sales to contract manufacturing is increasing.

Gross Profit

Gross profit on sales for the six months ended June 30, 2001, increased \$92,365 or 61% to \$243,101 compared with \$150,736 in the same period last year. Gross profit margin for the six months ended June 30, 2001, was 55% compared with 44% in the same period last year. Because of low net sales we achieved in the period last year ended June 30, 2000, we do not believe gross profit margin comparisons are meaningful at this state of our operations.

Operating Expenses

Operating expenses for the six months ended June 30, 2001, decreased to \$921,869 from \$927,051 for the comparable period in 2000. The decrease is principally due to decreased expenditures in sales promotions.

As a result of the foregoing, net loss was \$(678,768) for the six months ended June 30, 2001, compared to a net loss of \$(776,315) for the six months ended June 30, 2000.

Costs and Expenses

Costs of Products and Services Sold. The cost of products and services sold, was \$198,900 for the six months ended June 30, 2001 and represented 45% of revenue for the period, compared to \$190,756 for the six months ended June 30, 2000 which represents 56% of revenues for that period. Because of our low sales volume in the same period last year, we do not consider the costs of goods sold in the same period last year to be a good measure of our true cost of goods sold. As our product sales increase and account for a larger percentage of our overall sales, we expect that our costs of goods and services sold will decline and stabilize as a percentage of total revenue. We anticipate that our profit margins on sales of security systems will exceed our profit margins on sales of services. We are continually working on engineering changes in our security products that we expect will lower component costs for these products. We do not determine our inventory on a quarterly basis, instead we do it on an annual basis. Therefore, our cost of goods sold calculations are based on estimates of inventory used in products sold.

Research and Development Expense. We spent \$0 on research and development for the six months ended June 30, 2001, as compared with \$109,302 in the same period last year. Our R&D expenditures in six months ended June 30, 2001, represented 0% of gross profit margin for this period.

Salaries and Benefits. We spent \$305,217 on salaries and benefits for the six months ended June 30, 2001, as compared with \$282,929 for the same period last year. We have increased expenditures on salaries and fees, including consultants, and we have incurred \$24,105 of sales and promotional expenses for the six month period ended June 20, 2001, as compared with \$48,254 in the same

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period a year ago.

Net Operating Loss. We incurred approximately \$(678,768) of net operating loss carry forwards for the six-month period ended June 30, 2001, which may be used to offset taxable income and income taxes in future years.

LIQUIDTY AND CAPITAL RESOURCES

Since the start-up of our operations in 1998, we have funded our cash requirements primarily through equity transactions. We received \$7,637,259 since inception through the issuance of our common stock. We are not currently generating cash from our operations in sufficient amounts to finance our business and will continue to need to raise capital from other sources. We used the proceeds from these sales of equity to fund operating activities, including, product development, sales and marketing, and to invest in the acquisition of technology, assets and business. As of June 30, 2001, we had total assets of \$2,032,015 an increase of approximately \$144,591 over last year's \$1,887,424 at December 31, 2000. Total liabilities were \$557,730, at June 30, 2001, resulting in stockholders' equity of \$1,474,285 an increase of \$196,232 from the December 31, 2000 balance of \$1,278,053.

During the six months ended June 30, 2001, our cash decreased from \$265,245 at December 31, 2000, to \$90,807 at June 30, 2001. Net cash used in operating activities was \$906,995 for the six months ended June 30, 2001, including increases in accounts receivable to \$156,454, increases in inventory of \$148,672, and increases in accounts payable of \$410.

Net cash generated from financing activities during the six months ended June 30, 2001 was \$766,811, consisting of proceeds received from sales of stock of \$850,000, less \$58,189 advanced to stockholders, less payments on \$25,000 made on a promissory note to Columbia Bank with an outstanding principal balance of \$17,083 at June 30, 2001.

As a result of the foregoing at June 30, 2001 we had working capital of \$88,559, including \$311,471 in net trade accounts receivable and \$244,011 in inventory. We have provided and may continue to provide payment term extensions to certain of our customers from time to time. As of June 30, 2001 we have not granted material payment term extensions.

Our inventory balance at June 30, 2001, was estimated to be \$244,011. We do not take inventory on a quarterly basis, and we made inventory estimates based on annual inventory determinations. With expected increased product sales, we will need to make increased inventory expenditures. However, the terms of our product sales requires a twenty five percent (25%) deposit on order. In addition, we endeavor to keep inventory levels low. Therefore, we do not believe that increased product sales, associated materials purchases and inventory increases, will adversely affect liquidity.

We anticipate further expenditures for fiscal year 2001 of approximately \$100,00 for test equipment.

Under our outstanding employment and consulting agreements, we are obligated to pay Mr. Than \$96,000 per year, Mr. Lesniak \$84,000 per year and Mr. Bruggemean \$85,000 in salary and fees during calendar year 2001. If we terminate the employment of Mr. Than without cause or because of merger, acquisition or change in control, we will be obligated to pay him approximately \$350,000 in severance payments on a three year period.

We believe that cash from operations and funds available will not be sufficient to meet anticipated operating capital expenditure and debt service requirements for the next twelve months and that we will be dependent on raising additional capital through equity sales or debt financing.

We also have outstanding warrants with various investors with an exercise price of \$.40 per share. If the warrant holders exercise all of their warrants, at the exercise price of \$.40 per share, we will receive \$800,000, which we will use for additional working capital.

Plan Of Operation

The amount of capital that we need to raise will depend upon many factors primarily including

- o the rate of sales growth and market acceptance of our product lines;
- o the amount and time of necessary research and development expenditures;
- o the amount and time of expenditures to sufficiently market and promote our products; and
- o the amount and timing of any accessory product introductions.

We intend to use the cash raised from the private sale of shares and the exercise of warrants held by the Selling Stockholders to the following:

- o bring our ViewStorage, WebView and CareView products to market;
- o continue our product development efforts;
- o expand our sales, marketing and promotional activities for the SecureView line of products; and
- o increase our engineering, production management, quality control, and customer support staff.

We operate in a very competitive industry that requires continued large amounts of capital to develop and promote our products. We believe that it will be essential to continue to raise additional capital, both internally and externally, to compete in this industry.

In addition to accessing the public and private equity markets, we will pursue bank credit lines and equipment lease lines for certain capital expenditures. We currently estimate we will need between \$3 million and \$4 million to fully develop all our products and launch our expanded business operations in accordance with our current business plan.

RISK FACTORS AND CAUTIONARY STATEMENTS

Statements within the 10-QSB which are not historical facts, including statements about strategies and expectations for new and existing products, technologies, and opportunities, are forward-looking statements that involve risks and uncertainties. Our actual results may differ substantially from such forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the statement, including, but not limited to, risks detailed in our other securities filing, including our Annual Report on form 10-KSB for the year ended December 31, 2000, and registration statement, as amended, filed on Form SB-2

PART II. OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS

We are not aware of any material pending legal proceeding against us or our property.

ITEM 2. CHANGES IN SECURITIES

There are no changes in securities other than such changes reported in our SB-2 filed on August 1, 2001, registration number 333-66482.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There have not been any defaults other than such defaults reported in our 10-QSB for the quarter ended June 30, 2001.

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

Inapplicable

ITEM 5. OTHER INFORMATION

Inapplicable

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K

(A) EXHIBITS:

- 2.1 View Systems, Inc. Board of Directors Resolutions approving Acquisition Agreement and Plan of Reorganization With RealView Systems, Inc; Resolution of stockholders and Board of Directors of Real View Systems, Inc. approving Acquisition Agreement and Plan of Reorganization With Real View Systems, Inc. (1)
- 2.2 View Systems, Inc. Board of Directors Resolutions approving Acquisition Agreement and Plan of Reorganization With RealView Systems, Inc; Resolution of stockholders and Board of Directors of Real View Systems, Inc. approving Acquisition Agreement and Plan of Reorganization With Real View Systems, Inc. (1) View Systems, Inc. Acquisition Agreement and Plan of Reorganization with Xyros Systems, Inc. (1)
- 2.3 View Systems, Inc. Acquisition Agreement and Plan of Reorganization with ETMC(1)
- 2.4 Letter of Intent to Form Joint Venture Corporation Between NetServ Caribbean, Ltd. and View Systems, Inc. (1)
- 3.1 Articles of Incorporation and all Articles of Amendment of View Systems, Inc. (1)
- 3.2 By-Laws of View Systems, Inc. (1)
- 10.1 Form of Subscription Agreement For 8/8/99 Rule 505 (Amended to Be Rule 506) Offering and Terms of Offering Pages From Private Placement

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Memorandum, Dated August 8, 1999, Describing Rights of Subscribers.
(1)

- 10.2 Form of Subscription Agreement For 11/11/99 Rule 506 Offering and Terms of Offering Pages From Private Placement Memorandum, Dated November 11, 1999, Describing Rights of Subscribers. (1)
 - 10.3 Subscription Agreement Between View Systems, Inc. and Lawrence Seiler for 170,000 Shares, Granting Registration Rights to 100,000 Shares.
(1)
 - 10.4 Lock-Up Agreement With Lawrence Seiler. (1)
 - 10.5 Subscription Agreement Between View Systems, Inc. and Leokadia Than.
(1)
 - 10.6 Form of Subscription Agreement Between View Systems, Inc. and Jim Price and Tim Rieu. (1)
 - 10.7 Subscription and Investment Representation Agreement between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2)
 - 10.8 First Common Stock Purchase Warrant between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2)
 - 10.9 Second Common Stock Purchase Warrant between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2)
 - 10.10 Registration Rights Agreement between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2)
 - 10.11 Non-qualified Stock Option Agreement with Richard W. Gray. (6)
 - 10.12 Amendment to First Purchase Common Stock Warrant, Dated February 18, 2000, Second Purchase Common Stock Warrant, Dated February 18, 2000, and Subscription and Investment Agreement, Dated February 18, 2000, Between View Systems and Rubin Investment Group. (7)
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- 10.13 View Systems, Inc. 2000 Restricted Share Plan (8)
 - 10.14 Second Amendment to First Purchase Common Stock Warrant, Dated February 18, 2000, Second Purchase Common Stock Warrant, Dated February 18, 2000, and Subscription and Investment Agreement, Dated February 18, 2000, Between View Systems and Rubin Investment Group.
(9)
 - 10.15 View Systems, Inc. Employment Agreement with Gunther Than. (1)
 - 10.16 View Systems, Inc. Employment Agreement with Andrew L. Jiranek. (1)
 - 10.17 View Systems, Inc. Engagement Agreement with Bruce Lesniak. (1)
 - 10.18 View Systems, Inc. Employment Agreement with David Bruggeman. (1)
 - 10.19 Eastern Tech Mfg. Corp. Employment Agreement with John Curran. (1)
 - 10.20 Lease Agreement Between View Systems, Inc. and Lawrence Seiler. (1)
 - 10.21 StockRedemption Agreement, dated May 27, 1999, Between View Systems,

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- Inc. and Gunther Than. (1)
- 10.22 Stock Redemption Agreement, dated September 30, 1999, Between View Systems, Inc. and Gunther Than. (1)
- 10.23 View Systems, Inc. 1999 Restricted Share Plan. (1)
- 10.24 Restricted Share Agreement with Bruce Lesniak (Lesniak & Associates). (1)
- 10.25 Restricted Share Agreement with John Curran. (1)
- 10.26 Restricted Share Agreement with David Bruggeman. (1)
- 10.27 Restricted Share Agreement with Gunther Than. (1)
- 10.28 Restricted Share Agreement with Andrew Jiranek. (1)
- 10.29 Restricted Share Agreement with Linda Than. (1)
- 10.30 View Systems, Inc. 1999 Employee Stock Option Plan. (1)
- 10.31 Non-qualified Stock Option Agreement with Gunther Than. (1)
- 10.32 Non-qualified Stock Option Agreement with Andrew Jiranek. (1)
- 10.33 Qualified Stock Option Agreement with Gunther Than. (1)
- 10.34 Qualified Stock Option Agreement with Andrew Jiranek. (1)
- 10.35 Promissory Notes from Xyros Systems, Inc. to Ken Weiss. (1)
- 10.36 Promissory Notes from Xyros Systems, Inc. to Hal Peterson. (1)
- 10.37 Loan Agreement Between Xyros Systems, Inc. and Columbia Bank. (1)
- 10.38 Letter From Columbia Bank Extending Term of Loan. (1)
- 10.39 License and Distribution Agreement with Visionics Corporation. (5)
- 10.40 License and Distribution Agreement with Lead Technologies, Inc. for Video OCR Software. (3)
- 10.41 License and Distribution Agreement with Anasoft Systems for Microsoft Operating System Software. (3)
- 10.42 License and Distribution Agreement with Aware, Inc. for Compression Software. (3)
- 10.43 Typical Non-Exclusive Reseller Agreement. (5)
- 10.44 Schedule of Contracted Resellers. (5)
- 10.45 Agreement between View Systems, Inc. and Magnum Financial Services, Inc., dated February 27, 2000. (5)
- 10.46 View Systems, Inc. Employment Agreement with Keith Company. (5)
- 11.1 Statement re: Computation of Per Share Earnings (attached to report)
- 16.1 Letter From Katz, Abosch, Windesheim, Gershman & Freedman, P.A. to View Systems, Inc., dated April 11, 2000. (4)

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- 21.1 Subsidiaries of Registrant. (1)
- 99.1 Consulting Agreement with Columbia Financial Group, LLC Granting Warrants and Stock and Granting Piggyback Registration Rights. (1)
- 99.2 Consulting Agreement with Tom Cloutier Granting Warrants and Registration Rights. (1)
- 99.3 Consulting Agreement with Guy Parr Granting Warrants and Registration Rights. (1)
- 99.4 Form of Stock Certificate. (1)
- 99.5 Consulting Agreement with Magnum Worldwide Investments, Ltd. (1)

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- 99.6 Consulting Agreement with Mid-West First National, Inc. (10)
- 99.7 Consulting Agreement with Pacific First National, Corp.(10)
- 99.8 Consulting Agreement with Columbia Financial Group, LLC (10)
- 99.9 Consulting Agreement with John Clayton*
- 99.10 Consulting Agreement with Magnum Financial Group, LLC (10)
- 99.11 Letter to Rubin Investment Group dated March canceling its warrants

- (1) Incorporated By Reference from Registrant's Registration Statement on Form SB-2 Filed With the Commission On January 11, 2000
 - (2) Incorporated By Reference From Registrant's Report on Form 8K, dated February 19, 2000.
 - (3) Incorporated By Reference From Registrant's Report on Form 10KSB, Dated March 30, 2000.
 - (4) Incorporated By Reference From Registrant's Report on Form 8K, Dated April 13, 2000.
 - (5) Incorporated By Reference From Registrant's Statement on Form SB-2/A, Dated April 27, 2000.
 - (6) Incorporated By Reference From Registrant's Form 10 QSB, Dated May 15,2000.
 - (7) Incorporated By Reference to Registrant's Registration Statement on Form SB-2/A, dated June 7, 2000
 - (8) Incorporated By Reference to Registrant's Definitive Proxy Statement On Schedule 14A, dated May 3, 2000
 - (9) Incorporated By reference to Registrant's Registration Statement on Form SB 2/A, dated July 20, 2000
 - (10) Incorporated By reference to Registrant's Registration Statement on Form SB 2, dated February 2, 2001
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(B) REPORTS ON FORM 8-K

We did not file any reports on Form 8-K during the quarter for which this report is filed.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

View Systems, Inc.
Registrant

Date: August 17, 2001

/s/ Gunther Than

Gunther Than, President &
Chief Executive Officer

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