VIEW SYSTEMS INC
Form 10-K
March 31, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

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

VIEW SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada

59-2928366

(State or other jurisdiction of incorporation or organization)

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

1550 Caton Center Drive, Suite E,
Baltimore, Maryland

21227

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.001 Par Value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] YES [X] NO

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

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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.

[X] YES [ ] 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 [X] NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in a definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ] YES [X] 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.

Large accelerated filer

[ ]

Accelerated filer

[ ]

Non-accelerated filer

[ ]

Smaller reporting company

[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

[ ] YES

[X] NO

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter.

Note. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold as of June 30, 2009 was $1,084,348.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. [ ] YES [ ] NO

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date. **83 , 903 , 369 shares of common stock are outstanding as of March 30, 2010.**

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). **None**

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

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

PART I

ITEM 1. BUSINESS.

In this report the context requires otherwise, references to the "Company", "View Systems", "we", "us" and "our" are to View Systems, Inc.

Corporate History

View Systems was incorporated in Florida on January 25, 1989, as Beneficial Investment Group, Inc. and became active in September 1998 when we began development of our digital video product line and changed the company's name to View Systems, Inc. Starting in 1999 we expanded our business operations through a series of acquisitions of technologies we use in our digital video recorder technology products and in our concealed weapons technology.

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

Our Business

View Systems, Inc. develops, produces and markets computer software and hardware systems for security and surveillance applications. In 1998 digital video recorder technology was our first developed product and we enhanced this product line by developing interfaces with other various technologies, such as facial recognition, access control cards and control devices such as magnetic locks, alarms and other common security devices. In 2003 we sold this product to various commercial entities including schools, restaurants, night clubs, car washers and car dealers (license plate recognition was incorporated into these types of installations), ranches and gas stations. In these installations we integrated the digital video recorded technology with other electronic devices and we gained knowledge of the security needs of a wide range of businesses.

We expanded our product line in 2002 to include a concealed weapons detection system we call ViewScan. We have penetrated four major market segments for this product: correctional facilities, courts, probation offices and federal facilities in the Mid-Atlantic S tates, the West Coast and the South. In 2003 we added a hazardous material first response wireless video transmitting system to our product line we refer to as Visual First Responder. The markets for these units are first responder units such as the National Guard, Coast Guard, Army, state law enforcement agencies and fire departments. Both of these technologies were licensed from the U.S. Department of Energy's Idaho

National Engineering Laboratory ("IN E L"). Until 2005 we assembled all of our products in-house, but we currently contract with third party manufacturers to manufacture some components of our products.

Historically, the Company relied upon exclusive technology licensing agreements with federal departments to license and distribute the ViewScan technology. In anticipation of the expiration of federal licenses, we developed propriety components and made sufficient engineering design changes to the ViewScan product to lower production costs and to accommodate the price points required by competitive pressures. By redesigning the ViewScan, we offset the impact of the expiration of our license agreements and continued to capitalize on the competitive advantage we had in the markets we had entered. We have a similar strategy for the Visual First Responder, which is now in its third generation.

Products and Services

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. Visual First Responder and Multi-Mission Mobil Video

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

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

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

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

3. ViewMaxx Digital Video System

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

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

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

Our ViewMaxx products include the following features:

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

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

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

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

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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;

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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;

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

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

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

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

4. Additional Applications and Integration of ViewScan and ViewMaxx

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

5. The MINI

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

We license the MINI from its manufacturer and act as a distributor. The Company established a dedicated e-commerce platform for the direct sale of this innovative product, which went online in February 2010.

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.

In October 2009 we received a purchase order to install networked video surveillance systems at all of Maryland s 18 vehicle emissions inspection locations. The gross revenue from this contract was $200,208. Subsequently the Company secured two additional security / surveillance installation projects at residential complexes in the Baltimore-Washington corridor, one of which was completed in February 2010 and the other begins installation in early March 2010.

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.

We completed several fiber optic installations in calendar year 2009 and have begun a fiber optic installation at a 72 unit apartment complex in Maryland.

7. <u>FiberXpress, Inc.</u>

On July 24, 2009 we entered into an asset purchase agreement to acquire Fib e rXpress, Inc., a company that sells specialist data network related products through its Internet web site. Fib e rXpress has not performed as expected and we are looking for suitable options.

8. Visisys Ltd .

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

9. Training and Service Programs

W e offer support services for our products which include:

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On site consulting/planning with customer architect and engineers,

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Installation and technical support,

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Training and "Train the Trainer" programs, and

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Extended service agreements.

Our Market

Our family of products offers government and law enforcement agencies, commercial security professionals, private businesses and residential consumers an enhanced surveillance and detection capacity. Management has chosen to avoid the air passenger traffic and civilian airport market for metal detection because we believe that a larger market exists in venues such as sporting events, concerts, and race tracks, and schools, courthouses and municipal buildings, and law enforcement agencies.

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

A primary market for our ViewScan portal is federal and state government courthouses, county and municipal buildings, and correctional facilities. We have installed our ViewScan weapons detection products in a variety of court house situations.

The MMV product's market includes National Guard units and first response agencies such as fir e , police, SWAT, and homeland security response teams.

The MINI is our first product for which retail consumer sales are probable . The easy to use, simple and convenient personal security monitoring device can be purchased by individuals through an independent website , potentially through retail electronics stores, or through commercial installers of self-contained or centrally monitored security systems. However, at this time we do not have retail agreements in place. Using our technology, individuals could run their own perimeter and interior surveillance systems from their own home computer. Real-time action at home can be monitored remotely through a modem and the Internet. There is also the capability to make real-time monitors wireless. An additional advantage of our technology is that it allows for the storage of information on the home computer and does not require a VCR. This capability may reduce the expense and time of the home installation and may make installation affordable for a majority of homeowners.

Network Services fiber installation activities have positioned the Company to exploit at the regional level the widespread national demand for high speed optical fiber data networks by both businesses and consumers. Increasing acceptance of security video surveillance suggests that there may be a demand for professional installation s that we may profit from . Certainly the Company has seen a significant increase in i nquiries about the design, installation and maintenance of such systems.

The a ssociation with Visisys and its market-leading recognition software suites seems to be an excellent fit with customer requirements for such features, not only on ViewScan products, but also for the Company s Network Services projects.

Manufacturing

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

Sales and Distribution

We are constantly seeking to extend our United States domestic network of manufacturing representatives and dealers for the sale and distribution of our products. We are looking for security consultants, specifiers and distributors of security and surveillance equipment that sell directly to schools, courthouses, and government and commercial buildings.

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

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

We also have experienced international interest from security related resellers and system integrators. Previously, we had chosen not to pursue international markets, but have this year secured a sales agent in The People s Republic of

China (for the Chinese market) and in the United Arab Emirates (for the Middle East). Both of these agents have secured significant orders for our ViewScan product, to date 20 units for China and 124 units for the Middle East and the Sub-continent. We have decided that our business can be better served with agent relations and established distribution partners that have local presence and can distribute support and train users for all our products more widely and efficiently than can be achieved from the United States .

Marketing of the MINI is viral through use of I nternet search engine optimization. We shall be undertaking further targeted marketing campaigns for the MINI.

Backlog

As of December 31, 2009, we had a backlog of $215,000. We measure backlog as orders for which a purchase order or contract has been signed or a verbal commitment for order or delivery has been made, but which has not yet been shipped and for which revenues have not been recognized. We typically ship our products weeks or months after receiving an order. However, we are attempting to shorten this lead time to several weeks.

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

Major Customers

At present sales to state correctional facilities account for more than 10% of our revenues. Our distributor in the UAE has ordered 80 units of ViewScans, and we have delivered to date 20 units .

Competition

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

Trademark, Licenses and Intellectual Property

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

The ViewScan concealed weapons detection technology involves sensing technology and data acquisition/analysis software subsystems that have patents pending or issued to the U. S. Department of Energy. We have not renewed our license, with the INEL to commercialize, manufacture and market the concealed weapons detection technology. View Systems has not filed for patents and has found that the expense and difficulty of patenting this product would be financially prohibitive.

Governmental ownership of the patents is advantageous to us; however, the costs have outweighed the benefits. We have not received improvements, the promised funding or support from our government licensors . We have, however, paid money and spent time to advance the technologies. We have obtained software licensing agreements for software operating systems components, fingerprint identification capabilities to possibly integrate into our proprietary software, and commercially available operating systems software to integrate into our proprietary product software.

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

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

Research and Development

We outsource improvements or changes when requested by customers and warranted financially.

Regulatory Environment

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

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

Employees

As of the date of this annual report, the Company employed approximately 9 persons, including 1 sales executive, and 3 office personnel which include 3 customer service engineers. 3 persons are part-time and we also contract with 5 independent contractors who devote Our employees are not presently covered by any collective bargaining agreement. Our relations with our employees are good, and we have not experienced any work stoppages.

ITEM 1A. RISK FACTORS.

Smaller reporting companies are not required to provide this information.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable.

ITEM 2. DESCRIPTION OF PROPERTY

Our principal executive office is located in Baltimore, Maryland, where we lease approximately 4,600 square feet for $3,047 per month. We are on a month to month basis at this time. This facility also serves as the manufacturing and assembly location for our products.

ITEM 3. LEGAL PROCEEDINGS.

Allen E. Bender v. View Systems, Inc., Case No. 03-C-09-003669-CN (Md. Cir. Ct., Balt. Cty.)

On or about April 2, 2009, we were sued by a debt holder, Allen E. Bender, for non-payment. Judgment was entered against the Company in August 2009 for approximately $157,000.00. In January 2010, this matter was settled by an agreement to exchange the judgment plus costs and fees for Company common stock.

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

ITEM 4. (REMOVED AND RESERVED).

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASERS OF EQUITY SECURITIES.

Market Information

Our common stock has been quoted on the OTC Bulletin Board under the symbol "VYST.OB" up to October 2008 and from October 17, 2008 under the symbol VSYM.OB . The following table sets forth the high and low bid information of the Company's common stock for the periods indicated. The source of the following information is www.finance.yahoo.com.

	OTC Bulletin Board (1)
	COMMON STOCK MARKET PRICE
	HIGH
	LOW
	FISCAL YEAR ENDED DECEMBER 31, 2009:
	Fourth Quarter

$
0.11
$
0.01
Third Quarter
$
0.03
$
0.02
Second Quarter
$
0.05
$
0.01
First Quarter
$
0.20
$
0.02

FISCAL YEAR
ENDED DECEMBER
31, 2008:

Fourth Quarter	$	1.20	$	0.02
Third Quarter	$	1.44	$	0.24
Second Quarter	$	0.04	$	0.01
First Quarter	$	0.04	$	0.02

(1)

Over-the-counter market quotations reflect inter-dealer prices without retail mark-up, mark-down or commission, and may not represent actual transactions.

Shareholders of Record

As of December 31, 2009, there were approximately 364 holders of record of our common stock, not including holders who hold their shares in street name.

Dividends

We have never paid cash dividends on our common stock. We intend to keep future earnings, if any, to finance the expansion of our business, and we do not anticipate that any cash dividends will be paid in the foreseeable future. Our future payment of dividends will depend on our earnings, capital requirements, expansion plans, financial condition and other relevant factors. Our retained earnings deficit currently limits our ability to pay dividends.

Securities Authorized for Issuance Under Equity Compensation Plan

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,000,000	-	2,000,000 (2)
Equity compensation plans not approved by security holders	-	-	

- (1)

Total

2,000,000

-

2,000,000 (2)

(1) Our 1999 Stock Option Plan and our 1999 Restricted Share Plan terminated automatically pursuant to the terms of their respective agreements on March 1, 2009.

(2)

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

Information Relating to Outstanding Shares

As of **March 30, 20** 10, there were 83,903 ,369 shares of our common stock issued and outstanding and 89,647 shares of our preferred stock issued and outstanding. We have not reserved any shares for issuance upon exercise of common stock purchase warrants, and no shares are issuable upon exercise of options to purchase shares of our common stock.

Of the issued and outstanding common shares, approximately 59,442,369 shares of our common stock (27,258,427 of which are owned by officers, directors and principal stock holders) have been held a period in excess of six months and are eligible to be resold pursuant to Rule 144 promulgated under the Securities Act.

Unless covered by an effective registration statement, the resale of our shares of common stock owned by officers, directors and affiliates is subject to the volume limitations of Rule 144. In general, Rule 144 permits our shareholders who have beneficially-owned restricted shares of common stock for at least six months to sell without registration, within a three-month period, a number of shares not exceeding one percent of the then outstanding shares of common stock. Furthermore, if such shares are held for at least six months by a person not affiliated with us (in general, a person who is not one of our executive officers, directors or principal shareholders during the three month period prior to resale), such restricted shares can be sold without any volume limitation.

Recent Sales of Unregistered Securities

W e issued an aggregate of 62,267,147 shares of our unregistered common stock at purchase prices ranging from $0.0 1 to $0.0 625 per share during 2009, as follows:

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On January 26, 2009, we issued a total of 2,900,000 shares of our common stock to Kelli Myers (550,000 shares), A.S. Austin Company, Inc. (750,000 shares), Marlin Molinaro (800,000 shares), and Redstone Communication (800,000 shares), all as payment against convertible debt at $0.0345 per share.

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On February 2, 2009, we issued a total of 250,000 shares of our common stock to Ralph Sita (as payment against debt for accounting services), John Sarman (120,000 shares as payment against debt for professional services), Charlotte DeLoof (48,000 shares as payment against debt for salary), Alexander N. Than (47,500 shares as payment against debt for salary), Michael Woodford (150,000 shares as payment against debt for legal services), Orion Financial Group, LLC (360,000 shares as payment against debt for investor relations services), all at $0.0625 per share, and to Judith Downes (210,000 restricted shares in exchange for salary) at $0.0313 per share.

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On February 13, 2009, we issued a total of 7,000,500 shares of our common stock to Redstone Communication (750,000 restricted shares), Marlin Molinero (675,000 restricted shares), and Josh Norton (75,000 restricted shares), all as payment at $0.0313 per share for investor relations services; James Alford (250,000 restricted shares as payment for the acquisition of a truck), Gary Berg (200,000 restricted shares for professional services), Gunther Than (5,000,000 restricted shares for salary), all as payment at $0.0313 per share; and to William Jordan (50,500 shares for payment of a shareholder loan at $0.0625 per share).

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On March 11, 2009, we issued 950,000 shares of common stock to Orion Financial Group, LLC as payment at $0.0625 per share against debt for investor relations services.

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On March 19, 2009, we issued 500,000 shares of common stock to Ralph Sita as payment at $0.0625 per share against debt for accounting services.

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On March 23, 2009, we issued 1,000,000 shares of common stock to Russell Weigel as payment at $0.0625 per share against debt for legal services.

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On April 29, 2009, we issued 500,000 shares to William Gaskill at $0.03 per share in exchange for conversion of accounts payable and 500,000 shares to Rosenberg & Fayne at $0.0135 per share in exchange for legal services.

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On May 12, 2009 we issued 1,500,000 shares to Michael Burton Prateley at $0.027 per share in exchange for consulting services.

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On May 15, 2009 we issued 250,000 shares to Barbara Morelli, 2,000,000 shares to James Russell Wheeler, and 750,000 shares to Starr Consulting, Inc. at $0.027 per share in exchange for conversion of notes payable.

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On May 29, 2009 we issued at $0.0135 per share a total of 5,000,000 shares to 12 shareholders of Visisys, Plc in connection with the execution of a Memorandum of Understanding.

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On June 1, 2009 we issued 10,000,000 shares at $0.0135 per share to director Michael Bagnoli as compensation for a line of credit he guaranteed on behalf of the Company.

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On June 5, 2009 we issued 100,000 shares to William Bryan Bogan at $0.0135 per share in exchange for consulting services.

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On June 16, 2009 we issued at $0.027 per share 2,000,000 shares to Michael Burton-Prateley in exchange for consulting services and 500,000 shares to Marlene Maassen (spouse of director Martin Maassen) as payment for a loan.

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On July 6, 2009, we issued 131,147 shares to William D. Smith at $0.02 per share as payment for accrued interest on a note payable.

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On September 15, 2009 we issued: 500,000 shares to William Paul Price at $0.02 per share as a consulting fee; 1,000,000 restricted shares to William Paul Price at $0.01 per share as payment for the asset purchase of FiberXpress, Inc.; 3,500,000 shares to Anthony D. Altavilla at $0.0143 per share in exchange for conversion of accounts payable, and 500,000 restricted shares to Crown Equity Holdings at $0.01 per share in exchange for press release services.

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On December 6, 2009 we authorized the issuance at $0.02 per share: 5,000,000 shares to Martin Maassen (as inducement to continue to fund the working capital needs of the Company); 5,000,000 shares to Gunther Than (employment compensation), 5,000,000 shares to Michael Burton-Prateley (sign-on bonus upon appointment as an officer), and 5,000,000 shares to William Paul Price (sign-on bonus upon appointment as an officer).

All of such shares were offered and sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

We issued an aggregate of 15,925,000 shares of our unregistered common stock at purchase prices ranging from $0.02 to $0.064 per share to accredited investors during 2008, as follows:

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Martin Maassen on October 16, 2008, 5,000,000 shares of our common stock at $0.04 in exchange for conversion of $200,000 in notes payable.

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Starr Consulting on October 17, 2008, 500,000 shares of our common stock at $0.02 in exchange for conversion of $50,000 in notes payable and $50,000 in interest.

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Pertaining to the Starr Consulting Agreement, on October 17, 2008 we issued 500,000 shares of our common stock to each of the following entities: Power Network, BAF Consulting, New Age Sports, and Seville Consulting, all at $0.02 per share.

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Michael Bagnoli on October 17 and 21, 2008, a total of 5,000,000 shares of our common stock to at $0.04 in exchange for conversion of $200,000 in notes payable.

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Pertaining to the Starr Consulting Agreement, on December 2, 2008 we issued 500,000 shares of our common stock to each of the following entities: Power Network, BAF Consulting, New Age Sports, and Seville Consulting, all at $0.02 per share.

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Michael Burton- Pratel e y on December 10, 2008, 500,000 shares of our common stock at $0.03 in exchange for consulting services.

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Michael Burton- Pratel e y on December 10, 2008, 112,500 shares of our common stock at $0.03 in exchange for consulting services.

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Marlene Maassen on December 10, 2008, 312,500 shares of our common stock at $0.064 per share.

All of such shares were offered and sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

During 2007, we issued our common stock in unregistered, exempt transactions as follows:

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James and Patricia Hartman and Mary McGinn purchased 63 shares and 13 shares, respectively, at $6.64 per share on June 30, 2007.

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Anna and James Wolfe, Jay I. Levinson, and Isabel M. Bernfeld purchased 13,393 shares, 1,786 shares, and 714,286, respectively, at $5.60 per share on September 30, 2007.

All of such shares are designated at in post-reverse prices and quantities and were offered and sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

Use of Proceeds from Registered Securities

None.

Issuer Purchase of Securities

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not Applicable.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following analysis of our consolidated financial condition and results of operations for the years ended December 31, 2009 and 2008 should be read in conjunction with the Consolidated Financial Statements and other information presented elsewhere in this annual report.

Our product lines are related to visual surveillance, intrusion detection and physical security. Our principal products are identified above in response to **Item 1 Business** and we incorporate that description by reference.

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.

During 2004 we increased our product lines to include our Visual First Responder and during 2005 we had engineering design changes made to the sensor boards for the ViewScan product to allow lower costs and to accommodate the price points required by competitive pressures. Also, in 2005 we redesigned the Visual First Responder and ViewScan products.

During 2005 we continued to establish new partnerships, add active resellers and dealers and we hired four sales representatives to build a United States domestic network for the sale and distribution of our products within the 48 states. We have completed sales in the correctional facility market, some Homeland Security departments and some sports venues.

During 2006 we previewed our Biometric ViewScan III which includes positive identification and biometric verification capabilities, expanded our dealers and resellers in the Mid-West and Southwest region of the United States, and introduced two new products. The ViewScan III includes a fingerprint identification and verification system, state-issued identification scanning device for driver s licenses and passports, and a visitor badge printing system. T he new products introduced in 2006 included a product offering marketed as the LAW, which is a handheld metal detector designed to improve police officer safety. We do not manufacture the LAW product, but use it as an adjunct to the ViewScan and sell it separately.

During 2009, the Company secured significant international sales opportunities in China and the Middle East through our respective local agents. We anticipate further and substantial growth in the sale of ViewScans and our complimentary security technologies in 2010 as a result of the positive feedback we received.

In addition to continuing sales of ViewScan and o ther items in o ur security product portfolio, during 2009 the Company add ed the MINI to its range of products .

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

Our September 2009 acquisition of FiberXpress, Inc., an e-commerce platform, has not resulted in meaningful sales activity. Accordingly, we are reviewing our options with respect to this acquisition.

On November 24, 2008 and December 26, 2008, we announced that a merger with Wytan Corp. was underway. We also announced that additional conditions to the merger closing were required by Wytan and that the merger would not occur until such time as the conditions were satisfied. Attempts to merge ceased in November 2010 and this proposed transaction has been terminated.

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 $21,342,673. 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, w e continue to explore potential merger and acquisition options.

Our strategy for 2010 will be to extend our sales and service provision To increase sales we offer demonstrations of our products to potential customers in specific geographical areas and at region - specific trade shows, such as sheriff s conventions, court administrators

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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.

We will continue to work closely with our overseas agents to assist them in securing new orders. In addition we will seek new agents for as yet untapped markets for ViewScan and our range of security technologies.

The lead-time to establish our Network Services operations was longer than expected due to the economic decline of domestic activity. 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.

As of February 2010, we are marketing the MINI to large potential users, such as r eal property managers, as well as to retail customers through the www.minicamsim.com website.

In the short term, management plans to raise fund s through sales of our common stock for fulfillment (manufacturing, packaging and shipment), which will set the stage for future orders becoming self funding. Then the next phase of our business plan will be to raise additional funds through common stock offerings to provide working capital to finance several acquisitions and the integration of new technologies and businesses. We anticipate registering in the second quarter of 2010 sufficient shares of our common stock to raise at least $1,200,000.00.

Results of Operations

The following discussions are based on the consolidated financial statements of View Systems and its subsidiaries. These charts and discussions summarize our financial statements for the years ended December 31, 2009 and 2008 and should be read in conjunction with the financial statements, and notes thereto, included with this report at Part II, Item 8, below.

SUMMARY COMPARISON OF OPERATING RESULTS

	Year ended December 31,	
	2009	2008(*)
Revenues, net	$ 631,757	$ 1,148,314
Cost of sales	310,833	391,216
Gross profit (loss)	320,924	757,098
Total operating expenses	1,819,468	965,388
Loss from operations		

	(1,498,544)	(208,290)
Total other income (expense)	(61,468)	34,751
Net income (loss)	(1,560,012)	(173,539)
Net income (loss) per share	$ (0.04)	$ (0.04)

Revenue is considered earned when the product is shipped to the customer.   T he concealed weapons detection 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.

and 2008.

	Dec. 31, 2009	Dec. 31, 2008
Totals per financial statements	$ 631,757	$ 1,148,314
ViewScan	231,698	851,961
ViewMaxx		12,478
MMV, VFR & misc.		87,497
Service, installation, training, etc	400,059	196,378
	$ 631,757	$ 1,148,314

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Our backlog at December 31, 2009, was $215,000. The delay between the time of the purchase order and shipping of the product results in a delay of recognition of the revenue from the sale. This delay in recognition of revenues will continue as part of our results of operations.

Cost of sales include costs of products sold and shipping costs and were approximately 49% of net revenues for 2009 as compared to cost of sales of 34% of net revenues from 2008 , an increase of 15% .

For 2009 total operating expense increased $854,080, an increase of 88%, as compared to 2008. Net Income (Loss) was ($1,560,012) in 2009, and ($173,539) in 2008, a deterioration of $1,386,473.

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

Liquidity and Capital Resources

We have incurred losses for the past two fiscal years and had a net loss of $1,560,012 at December 31, 2009. We had insufficient funds to deliver our backlog in the last half of 2009. Our revenues from several product sales have been increasing and some others decreasing but are not sufficient to cover our all of our operating expenses. Our auditors have expressed substantial doubt that we can continue as a going concern.

Historically, we have relied on revenues, debt financing and sales of our common stock to satisfy our cash requirements. For the year ended December 31, 2009, we received cash from revenues of $631,757, 0 0, and proceeds from notes payable of $50,000. For the year ended December 31, 2008, we received cash from revenues of $1,148,314, proceeds of $20,000 from sales of our common stock, and loans from shareholders of $93,496. We have incurred losses for the past two fiscal years and had a net loss of $1,560,012 at December 31, 2009 as compared with a net loss of $173,539 for the year ended December 31, 2008. We had insufficient funds to deliver our backlog in the last half of 2009. Our revenues from several product sales have been increasing and some others decreasing but are not sufficient to cover all of our operating expenses. Management anticipates that we will continue to issue shares for services in the short term.

Management anticipates that we will continue to issue shares for services in the short term.

For the year ended December 31, 2009, we used a net amount of $217,926 of cash to finance our day to day operating activities. We used $28,652 of our cash to purchase fixed assets which was offset by receipt of $80

For the year ended December 31, 2008, we used $18,313 of cash to finance our day to day operating activities. We used $536 of our cash to purchase fixed assets and $80 to reduce certain loans. We generated $13,496 from financing activities which consisted of additional loans from stockholders in the amount of $93,496, and $20,000 from the issuance of common stock less repayments of debt in the amount of $100,000. This resulted in a net overall decrease in cash of $5,433.

Management believes we will need to take the necessary steps to file a registration of common stock to fund growth and acquisitions during 2010.   The Company intends to hold a special meeting of shareholders during 2010 to consider, among, other things, an increase in the authorized common stock of the Company to 250,000,000 shares.

Management intends to finance our 2010 operations primarily with the revenue from product sales and any cash short falls will be addressed through equity financing, if available. Management expects revenues will continue to increase but not to the point of profitability in the short term. We will need to continue to raise additional capital, both internally and externally, to cover cash shortfalls and to compete in our markets. At our current revenue levels management believes we will require an additional $1,200,000 during the next 12 months to satisfy our cash requirements of approximately $100,000 per month.

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

Commitments and Contingent Liabilities

The Company leased office and warehouse space in Baltimore, M aryland under a 6 month non-cancelable operating lease, which expired February 2010. Base rent is $3,300 per month.

Our total current liabilities –

Our total current liabilities at December 31, 2008 included accounts payable of $449,409, accrued expenses of $28,650, accrued interest of $126,155, accrued royalties of $225,000, loans from shareholder of $152,794 and notes payable of $559,093.

Our notes payable consist of the following:

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

This debt was settled subsequent to the reporting period for 4,500,000 shares of Company common stock.

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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 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.

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A holder of a note payable in the amount of $116,000 has been receiving interest payments regularly.

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A short-term line of credit, for $200,000 secured by a Stockholder, payable in 5 monthly installments and a balloon payment in May 2010, at an interest rate of 7% per annum. This has been converted to regular payments of principal and interest.

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Equipment Loans, for $49,497, to finance the acquisition of two vehicles, payable in monthly installments at and interest rate of 5.34%.

Off-Balance Sheet Arrangements

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

Contractual Obligations

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

Critical Accounting Policies

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

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

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

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

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

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We evaluate the cost of maintaining the license,

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We consider the possible effects of obsolescence, and

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

Risk Factors

You should carefully consider the risks, uncertainties and other factors described 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 other information contained in or incorporated by reference to this Annual Report on Form 10-K, including our financial statements and the related notes.

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

We have incurred losses for the past two fiscal years which consists of a net loss of $1,560,012 for 2009 and had a net loss of $173,539 at December 31, 2008. In addition, at December 31, 2009 View Systems, Inc. had a retained earnings deficit of $22,324,434. Our operating results for future periods will include significant expenses, including new product development expenses, potential marketing costs, professional fees and administrative expenses, and will be subject to numerous uncertainties. As a result, we are unable to predict whether we will achieve profitability in the future, or at all.

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

The Company has a net loss of $1,360,012 for the fiscal year ended December 31, 2009 and net cash used in operations of $217,926 for the fiscal year ended December 31, 2009. Because the Company has not yet achieved or acquired sufficient operating capital and given these financial results along with the Company's expected cash requirements in 2010, additional capital investment will be necessary to develop and sustain the Company's operations.

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

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

Our net loss for the year ended December 31, 2009 was $1,560,012 and our net loss for the year ended December 31, 2008 was $173,539. Our retained deficit was $22,324,434 at December 31, 2009. We are unable to fund our day-to-day operations through revenues alone , and management believes we will incur operating losses for the near future while we expand our sales channels. While we have expanded our product line and expect to establish new sales channels, we may be unable to increase revenues to the point that we attain and are able to maintain profitability. As a result we rely on private financing to cover cash shortfalls.

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

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

Based on our current growth plan we believe we may require approximately $1,200,000 in additional financing within the next twelve months to develop our sales channels. Our success will depend upon our ability to access equity capital markets and borrow on terms that are financially advantageous to us. However, we may not be able to obtain additional funds on acceptable terms. If we fail to obtain funds on acceptable terms, then we might be forced to delay or abandon some or all of our business plans or may not have sufficient working capital to develop products, finance acquisitions, or pursue business opportunities. If we borrow funds, then we could be forced to use a large portion of our cash reserves, if any, to repay principal and interest on those loans. If we issue our securities for capital, then the interests of investors and stockholders will be diluted.

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

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

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

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

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marketing efforts, selectively acquiring complementary technologies or businesses and services, increasing our efficiency, and reducing costs.

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

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

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

Currently, our directors and executive officers collectively hold approximately 5 6. 9% of the voting power of our common and 100% of the preferred stock entitled to vote on any matter brought to a vote of the stockholders. Including the effects of Gunther Than s , our CEO s , voting preferred stock, our directors and officers have the power to vote approximately 57.6% of common shares (based on the assumed effects of conversion of all of Mr. Than s preferred stock) as of the date of this report. Pursuant to Nevada law and our bylaws, the holders of a majority of our voting stock may authorize or take corporate action with only a notice provided to our stockholders. A stockholder vote may not be made available to our minority stockholders, and in any event, a stockholder vote would be controlled by the majority stockholders.

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

Pursuant to proposals related to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our Annual Report on Amendment No. 2 to Form 10-K for the fiscal year ending December 31, 2008, we will be required to furnish a report by our management on our internal control over financial reporting. If we cannot provide reliable financial reports or prevent fraud, then our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

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

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

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

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

l

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

l

Market visibility for our common stock may be limited; and

l

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

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

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

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

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

BROKER-DEALER REQUIREMENTS MAY AFFECT TRADING AND LIQUIDITY.

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

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

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

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

l

variations in our quarterly operating results;

l

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

l

additions or departures of key personnel; and

l

fluctuations in stock market price and volume.

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

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

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company , the Company is not required to provide this information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

VIEW SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

C O N T E N T S

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Report of Independent Registered Public Accounting Firm

To the Board of Directors

View Systems, Inc.

Baltimore, Maryland

I have audited the accompanying consolidated balance sheets of View Systems, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of View Systems, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of $22,324,434 at December 31, 2009. Additionally, for the year ended December 31, 2009, the Company a net loss of $1,560,012. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Larry O Donnell, CPA, P.C.

March 25, 2010

**View Systems, Inc.
and Subsidiaries**

Consolidated Balance Sheets

December 31, 2009 and 2008

2009

2008

ASSETS

Current Assets

Cash	$ 70,804	$ 1,768
Accounts Receivable (Net of Allowance of $1,000)	251,581	88,731
Inventory		

7,792

46,599

Total Current
Assets

330,177

137,098

Property & Equipment (Net)
95,948
16,262

Other Assets

Licenses (Net)

892,144

997,104

Due from Affiliates

147,507

147,587

Investment

67,500

-

Deposits

7,528

7,528

Total Other Assets

1,114,679

1,152,219

Total Assets

$

1,540,804

$

1,305,579

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	$ 486,979	$ 499,409
Accrued Expenses	71,912	28,650
Accrued Interest		

170,518

126,155

Accrued Royalties

225,000

225,000

Loans from
Shareholders

193,027

152,794

Notes Payable

637,719

559,093

Deferred Revenue

129,553

-

Total Current Liabilities	
	1,914,708
	1,591,101

Long-Term Liabilities

Long-Term Portion of Notes Payable

39,872

-

Total Liabilities

1,954,580

1,591,101

Stockholders' Equity

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

Issued and outstanding 89,647

896

896

Common Stock, Authorized 950,000,000 Shares as of December 31, 2009

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

Issued and Outstanding 79,442,369

79,442

-

Issued and Outstanding 17,175,222

-

17,175

Additional Paid in Capital

21,830,320

20,460,829

Retained Earnings (Deficit)

(22,324,434)

(20,764,422)

Total
Stockholders' Equity
(Deficit)

(413,776)

(285,522)

Total Liabilities and Stockholders' Equity

$

1,540,804

$

1,305,579

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

View Systems, Inc. and Subsidiaries

Consolidated Statements of Operations

For the Year Ended

December 31,

2009

2008

Revenues, Net

$

631,757

$

1,148,314

Cost of Sales

310,833

391,216

Gross Profit (Loss)

320,924

757,098

Operating Expenses

General & Administrative	
407,377	
396,870	
Professional Fees	
830,552	
159,387	
Bad Debts	
18,370	
20,265	
Salaries & Benefits	

563,169

388,866

Total Operating Expenses

1,819,468

965,388

Net Operating Income (Loss)

(1,498,544)

(208,290)

Other Income (Expense)

Extraordinary Item: Expired debt and related accrued interest

-

198,000

Interest Expense

(61,468)

(163,249)

Total Other Income (Expense)

(61,498)

34,751

Net Income (Loss)	$ (1,560,012)	$ (173,539)
Net Income (Loss) Per Share		

$

(0.04)

$

(0.04)

Weighted
Average Shares
Outstanding

40,285,009

3,937,623

The
accompanying
notes are an

integral part of
these
consolidated
financial
statements.

View Systems, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)

Additional

Retained

Preferred

Common

Paid-in

Earnings

Shares

Amount

Shares

Amount

Capital

(Deficit)

Balance,
December 31,
2007

89,647

$

896

1,245,347

$

1,245

$

19,930,378

$

(20,590,883)

April - June 2008 - shares issued in payment of accounts payable
-
-
4,875
5
8,001
-

October - December 2008 - shares issued for cash
-
-
312,500
313
19,687
-

October - December 2008 - shares issued as payment

-

of notes payable, including accrued interest

-

-

15,000,000

15,000

485,000

October - December 2008 - shares issued for services

-

-

612,500

612

17,763

-

Net loss for the year ended December 31, 2008

-

-

-

-

-

(173,539)

Balance,
December 31,
2008

89,647

896

17,175,222

17,175

20,460,829

(20,764,422)

January -
March 2009 -
shares issued
for services,

accounts payable and notes payable
-
-
13,536,000
13,536
527,489
-

April June 2009 shares issued for services,

Accounts payable and notes payable

-

-

18,100,000

18,100

327,500

-

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

-

-

5,000,000

5,000

62,500

-

July
September
2009 shares
issued for
services,

interest
expense and
notes payable

-

-

5,631,147

5,631

72,002

-

October
December
2009 shares
issued for
services

-

-

20,000,000

20,000

380,000

-

Net loss for the year ended December 31, 2009

-

-

-

-

-

(1,560,012)

Balance,
December 31,
2009

89,647

$

896

79,442,369

$

79,442

$

21,830,320

$

(22,324,434)

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

29

View Systems, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Year Ended

December 31,

2009

2008

Cash Flows from Operating Activities:

Net Income (Loss)

$

(1,560,012)

$

(173,539)

Adjustments to Reconcile Net Loss to Net Cash

Provided by Operations:

Depreciation & Amortization

116,945

113,560

Bad Debts

18,370

20,265

Interest Expense Paid with Stock

-

65,097

Expired Debt and Accrued Interest

-

(198,000)

Stock Issued for Services and Expenses

1,014,781

18,375

Change in Operating Assets and Liabilities:

(Increase)
Decrease in:

Accounts
Receivable

(181,220)

23,248

Inventories

38,807

39,585

Increase (Decrease) in:

Accounts Payable

114,592

2,247

Accrued Expenses

90,258

70,849

Deferred Revenue

129,553

-

Net Cash Used in Operating Activities

(217,926)

(18,313)

Cash Flows from Investing Activities:

Additions to Fixed Assets

(28,652)

(536)

Advances (to)/
receipt from
Related Party

80

(80)

Net Cash Used
in Investing
Activities

(28,572)

(616)

Cash Flows from Financing Activities:		
Funds Advanced from Stockholders	68,630	93,496
Proceeds from Borrowing - Line of Credit	200,000	-

Proceeds from Notes Payable

50,000

-

Principal Reductions on Notes Payable

(3,096)

-

Proceeds from Stock Issuance

-

20,000

Principal Payments on Notes Payable

-

(100,000)

Net Cash Provided by Financing Activities

315,534

13,496

Increase (Decrease) in Cash

69,036

(5,433)

Cash and Cash Equivalents at Beginning of Period

1,768

7,201

Cash and Cash Equivalents at End of Period	$ 70,804	$ 1,768

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

30

View Systems, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the Year Ended

December 31,

2009

2008

Cash Paid For:

Interest

$

14,473

$

-

Income Taxes

$

-

	$	-
Non-Cash Investing and Financing Activities:		
Vehicle purchases financed with notes payable	52,594	-

Notes payable paid down with common stock	231,000	500,000
Loans from shareholders paid with common stock	16,656	-
Accounts payable paid with common stock	132,250	8,006
Vehicle purchased with common stock	7,813	-
Investment made with common stock	67,500	-

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

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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.

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 collectibility 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

DECEMBER 31, 2009 AND 2008

1.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 collectibility is reasonably assured.

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 December 31, 2009 and 2008 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 years ended December 31, 2009 and 2008 amounted to $ 11,985 and $8,600, respectively.

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

1.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Licenses

In connection with the acquisition on Milestone, the Company received various licenses to products developed by INEL (Idaho National Engineering and Environmental Laboratory). 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 INEL 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 these licenses consist 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 of the licenses 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 years ended December 31, 2009 and 2008 was $104,958 and $104,958, respectively. Consistent with SFAS No. 142, the license was also analyzed to determine if any impairment existed at December 31, 2009 and 2008. 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 carryforwards. 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. Equipment and facilities acquired for research and development activities that have alternative future uses are capitalized and charged to expense over the estimated useful lives.

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

1.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising

Advertising costs are charged to operations as incurred. Advertising costs for the years ended December 31, 2009 and 2008 were $19,737 and $17,888.

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.

Reverse Stock Split

During 2008 the Board of Directors approved a 1 for 80 reverse stock split of the issued and outstanding common and preferred stocks. The reverse split did not change the authorized shares or the par value for either class of stock.

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 years ended December 31, 2009 and 2008 does not include potential shares of common stock equivalents, as their impact would be anti-dilutive. The following reconciles amounts reported in the financial statements:

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

1.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income

Shares

Per-share

(Numerator)

(Denominator)

Amount

Year ended December 31, 2009

Income (loss) from continuing operations which is the amount that is available to common stockholders

$

(1,560,012)

40,285,009

$

(0.04)

<u>Year ended December 31, 2008</u>

Income (loss) from continuing operations which is the amount that is available to common stockholders

$ (371,539)

3,937,623

$ (0.09)

Income from extraordinary item which is the amount that is

available to common shareholders

198,000

3,937,623

0.05

Basic earnings per share
$
(173,539)
3,937,623
$
(0.04)

2.

GOING CONCERN

The Company has incurred and continues to incur, losses from operations. For the years ended December 31, 2009 and 2008, the Company incurred net losses of $1,560,012 and $173,539, respectively. In addition, certain notes payable have come due and the note holders are demanding payment. As noted in the auditors report, these conditions are such that the continuation of the Company as a going concern is in doubt.

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 2009 and 2008, 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

DECEMBER 31, 2009 AND 2008

2.

GOING CONCERN

Historically, the Company has financed its operations primarily through private financing; however, sales revenue during 2009 and 2008 and decreases in expenses during 2008 made a significant contribution to working capital. It is management s intention to finance operations during 2010 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.

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 200 9 AND 200 8

5.

DUE FROM AFFILIATED ENTITIES

The Company has advanced non-interest bearing funds of $147,507 as of December 31, 2009 and $147,587 as of December 31, 2008 to a related corporation, The Fight Zone, Inc., (formerly Geoscopix, Inc.), which is controlled by the Chief Executive Officer of the Company. There are no formal repayment terms associated with this advance. The two companies enter into various transactions throughout the year to provide working capital to one another when necessary. Management has determined that the advance is totally collectible.

6.

NOTES PAYABLE

Notes payable as of December 31, 2009 and 2008 consists of the following:

	2009
	2008
	Investor/stockholder Group
	During 2006 the Company negotiated a loan arrangement with a group of investors to loan a specific amount to the Company which, once the total amounts loaned reached a certain amount, the loans would be converted into

shares of common stock. Since the threshold was never achieved, the conversion option was terminated and the loans became due on demand with interest at 8% per annum. As of the date of this report the investors have demanded repayment of these loans

$

162,092

$

343,093

Stockholder

An unsecured loan from a stockholder which is payable on demand with interest at 12%.

116,000

116,000

Stockholder

An unsecured loan from a stockholder which was due in full on November 1, 2007 with interest at 15%. The note is convertible into shares of common stock at the option of lender at the rate of $6.00 per share of common stock. If converted in full this amounts to 16,667 shares. The lender has made a formal demand for payment of the loan and accrued interest

100,000

100,000

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 2010. Interest accrues monthly at 7% per annum.

200,000

0

Investor A Demand loans payable with interest at 5% per month. The loan is secured by the Company s accounts receivable.	50,000	0
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	49,497	0
TOTAL	$ 677,589	$

559,093

Principal payments for the next five years ending in December are as follows:

2010	$	637,719
2011		10,151
2012		10,708

2013

11,294

2014

7,717

TOTAL

$

677,589

38

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

7.

INCOME TAXES

For income tax purposes the Company has net operating loss carryforwards of $21,342,673 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, 2009 are as follows:

Effect of net operating loss carryforward	$ 8,963,923
Less evaluation allowance	(8,963,923)

Net deferred tax asset	$ -

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

	Year ended December 31	
	2009	2008
Net loss per financial statements which approximates net loss per income tax returns	$ (1,560,012)	

$

(173,539)

Income tax expense (benefit) applying prevailing

Federal and state income tax rates

(655,205)

(65,945)

Less valuation allowance

655,205

65,945

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.

8

PREFERRED STOCK

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. See Note 13 below. Each share is entitled to fifteen votes and shall be entitled to vote on any matters in which common stockholders are entitled to vote.

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.

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

9.

OPERATING LEASE

The Company leases office and warehouse space in Baltimore, MD under a three-year noncancellable operating lease which expired in October 2008 and which was subsequently extended to August 2010. The base rent is $3,047 per month with an annual rent escalator of 3%. Rent expense was $47,461 and $65,766 for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease payments required under the lease on the Baltimore offices, which expires in 2010, are $24,376.

10.

STOCK BASED COMPENSATION

During the year ended December 31, 2009 and 2008 the Company granted restricted stock to independent contractors and consultants.

Restricted Stock Grants

The Company s Board of Directors and stockholders have approved a restricted share plan under which shares of the Company s common stock will be granted to employees, officers and directors at the discretion of the Board of Directors. During 2009 and 2008, the Company issued the following shares under this Plan and additional shares at the discretion of the Board of Directors:

	2009		2008	
	Number of Of shares	Expense Recognized	Number of Of shares	Expense Recognized
Officers and employees	35,305,500	$ 744,681	-	$ -
Independent contractors and consultants	9,230,000	270,100	612,500	18,375

Total
44,535,500
$1,014,781
612,500
$ 18,375

Independent contractors and consultants expense was based on the estimated value of services rendered.

Stock Options and Warrants

The Company adopted the 1999 Stock Option Plan during the year ended December 31, 1999. The Plan reserves 4,500,000 shares of the Company s unissued common stock for options. 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 price as established on the date of the grant.

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

10.

STOCK BASED COMPENSATION

A summary of the Company s common stock option activity and related information for the years ended December 31, 2009 and 2008 is as follows:

2009

Weighted

Common

Average

Range of

	Stock Exercise Exercise
	Options Price Price
Outstanding at beginning of year	1,346
	$
	130.41

$

.80 - 165.60

Granted

-

-

-

Exercised

-

-

-

Expired/Cancelled

-

-

-

Outstanding at end of year

1,346

$

130.41

$

.80 -165.60

2008

Weighted

Common

Average

	Range of		Stock		Exercise		Exercise
			Options		Price		Price
Outstanding at beginning of year	1,346						

$

130.41

$

.80 -165.60

Granted

-

-

-

Exercised

-

-

-

Expired/Cancelled

-

-

-

Outstanding at end of year

1,346

$

130.41

$

.80 -165.60

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), but applies Accounting Principle Board Opinion No. 25 and related interpretations. There were no stock options granted during the years ended December 31, 2009 and 2008.

11. RELATED PARTY TRANSACTIONS

During the year 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 $68,630 during 2009 and $253,496 during 2008. The additions during 2008 include a $201,197 increase as the result of one shareholder making a direct payment to pay off a promissory note and the related accrued interest which was payable by the Company an in default. These total loans from shareholders are unsecured and they have no stated interest rates. During 2008 the two shareholders converted $400,000 of the loans into 10,000,000 shares of common stock. The total balance due on unstructured loans from shareholders amount to $193,027 at December 31, 2009 and $152,794 at December 31, 2008. Loans from stockholders made with repayment terms are described in Note 6 above .

VIEW SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

12.

EXTRAORDINARY ITEM

For the last nine years the Company has reflected on its financial statements a note payable in the amount of $110,000 which originated in 1999 as the result of an acquisition. In addition, $88,000 of interest expense on this debt had accrued and was also reflected on the financial statements. During 2008 the Company was advised by legal counsel that for various reasons, such as the inability to locate the note holders and the expiration of the minimum holding period as defined by the statute of limitation, that this debt was no longer legally binding. Accordingly, the Company has adjusted this debt and the accrued interest to zero and has reflected the total expired liability of $198,000 as an extraordinary income item on the accompanying financial statements .

13.

SUBSEQUENT EVENT

On December 6, 2009 the Board of Directors and a majority of the stockholders approved an increase in the authorized shares of common stock from 100,000,000 to 950,000,000 shares and approved a change in the preferred stock which allows the preferred stock to be converted into common stock at a ratio of 15:1 at the option of the preferred share stockholder. Subsequent to the December 31, 2009 year end, the Company notified its shareholders of the change to the rights of the preferred stock and filed its Amended and Restated Articles of Incorporation with the Nevada Secretary of State. In accordance with SEC rules; the increase in authorized common stock is reflected retroactively in the financial statements for the year ended December 31, 2009.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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 December 31, 200 9 . 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

View Systems, Inc. s management is responsible for establishing and maintaining internal control over financial reporting for the Company. View Systems, Inc. s 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 financial reporting of the Company includes those policies and procedures that:

(1)

pertain to the maintenance of records that in reasonable detail accurately and fairy reflect the transactions of the company.

(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 receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the Company; 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 the Company s 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.

The management of View Systems, Inc. assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2009. 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 the Company s internal controls. Based on this assessment, management believes that as of December 31, 2009, the Company s internal control over financial reporting was effective.

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

Changes in Internal Control Over Financial Reporting

Management of the Company has evaluated, with the participation of the Company s Chief Executive Officer/Chief Financial Officer, changes in the Company s internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fourth quarter of 200 9 . In connection with such evaluation, there have been no changes to the Company s internal control over financial reporting that occurred since the beginning of the Company s fourth quarter of 200 9 that have materially affected, or are reasonably likely to materially affect the Company s internal control over financial reporting.

ITEM 9A(T). CONTROLS AND PROCEDURES.

Not Applicable.

ITEM 9B. OTHER INFORMATION.

There are no further disclosures .

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors and Executive Officers

The following table includes the names, positions held, and ages of our executive officers and directors as of December 31, 2008 and December 31, 2009:

NAME

AGE

POSITION

DIRECTOR SINCE

Gunther Than

62

Chief Executive Officer, Treasurer and Director

1998

Michael L. Bagnoli

54

Corp. Secretary and Director

1999

Martin Maassen

67

Director

1999

Michael Burton-Prateley	48	Director and Chief Financial Officer	2009
William Paul Price	62	Director and Vice President of Network Services	2009

Gunther Than, Director, Treasurer and Chief Executive Officer. Gunther Than was appointed Treasurer in July 2003 and has served as our Chief Executive Officer since September 1998. He served as our President from September 1998 to May 2003 and had served intermittently as Chairman of the Board from September 1998 to September 2003. Mr. Than was the founder, President and CEO of Real View Systems, Inc., a company that developed compression technology and computer equipment. Real View Systems was acquired by View Systems in 1998. Mr. Than is a graduate of the University of Wisconsin.

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

Martin Maassen, Director. Mr. Maassen became a Director in May 1999, he formerly served as our Chairman of the Board from April 2000 to September 2002. From September 1995 to the present he is a staff physician at Lafayette Emergency Care, P.C. located in Lafayette, Indiana. He is board-certified in internal medicine and emergency medicine and has served as a staff physician in the emergency departments of Jackson County, Deaconess, Union and St. Elizabeth hospitals located in Indiana. In addition to practicing medicine, he maintains an expertise in computer technologies and their medical applications.

Michael Burton-Prateley, Director and Chief Financial Officer. Mr. Burton-Prateley became a Director on December 6, 2009. From September 2002 to December 2008, Mr. Burton-Prateley served as President of Ellingham Associates. Ellingham Associates sourced and executed international business development mandates for US and UK companies. From January 2000 to August 2002, Mr. Burton-Prateley was the Finance Director of MMI. His duties entailed establishing the company, raising the equity capital, and implementing accounting and finance systems. In December 1999, Mr. Burton-Prateley established a unit within the corporate finance division of Levy Gee to advise UK companies on mergers, acquisitions, joint ventures and strategic financing. From August 1998 to August 2002, Mr. Burton-Prateley served as a director of St. George Asset Management. As a director, Mr. Burton-Prateley established the company and advised its founder on international business development.

William Paul Price, Director and Vice President of Network Services. Mr. Price became a Director on December 6, 2009. From April 1982 to February 2009, Mr. Price owned and served as the President of Electra-Tech, Inc. Electra-Tech, Inc. sold products on behalf of manufacturers of fiber optic cables, connectivity products, ethernet switches, media converters and other electronic equipment. Electra-Tech, Inc. operated in the Maryland, District of Columbia, and Virginia area. Mr. Price also formed FiberXpress, Inc. in October 2000, operated it through its acquisition by View Systems, Inc. in September 2009, and continues to operate FiberXpress, Inc. as a subsidiary of View Systems, Inc. FiberXpress, Inc. is an internet-based business that sells fiber and copper connectivity equipment.

There are no family relationships, or other arrangements or understandings between or among any of the directors, executive officers or other person pursuant to which such person was selected to serve as a director or officer.

Involvement in Certain Legal Proceedings

None of our directors, executive officers or control persons have been involved in any of the legal proceedings required to be disclosed in Item 401 of Regulation S-K, during the past five years.

Corporate Governance Matters

Audit Committee. The board of directors has established an audit committee, and the functions of the audit committee are currently performed by our Corporate Secretary, with assistance by expert independent accounting personnel and oversight by the entire board of directors. We are not currently subject to any law, rule or regulation requiring that we establish or maintain an audit committee.

Board of Directors Independence. Our board of directors currently consists of five members. We are not currently subject to any law, rule or regulation requiring that all or any portion of our board of directors include "independent" directors.

Audit Committee Financial Expert. Our board of directors has determined that we have one audit committee financial expert serving on our audit committee within the meaning of Item 407(d)(5) of Regulation S-K. In general, an "audit committee financial expert" is an individual member of the audit committee who (a) understands generally accepted accounting principles and financial statements, (b) is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves, (c) has experience preparing, auditing, analyzing or evaluating financial statements comparable to the breadth and complexity to the Company's financial statements, (d) understands internal controls over financial reporting and (e) understands audit committee functions.

Ms. Susan Mrzlack serves on our audit committee and is a certified public accountant. We believe Ms. Mrzlack is independent because she is not an officer, director, or employee if the Company, nor is she employed by our outside accountants or principal accounting firm, nor is she compensated for her services through payment of Company securities.

Code of Ethics

We have not adopted a code of ethics for our executive officers, directors and employees. However, our management intends to promote honest and ethical conduct, full and fair disclosure in our reports to the SEC, and compliance with applicable governmental laws and regulations.

Nominating Committee

We have not yet established a nominating committee. Our board of directors, sitting as a board, performs the role of a nominating committee. We are not currently subject to any law, rule or regulation requiring that we establish a nominating committee.

Compensation Committee

We have not established a compensation committee. We are not currently subject to any law, rule or regulation requiring that we establish a compensation committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Commission. Officers, directors and greater than ten percent beneficial owners are required by Commission regulations to furnish us with copies of all forms they file pursuant to Section 16(a). Based solely on our review of the copies of such forms received and written representations from reporting persons required to file reports under Section 16(a), all of the Section 16(a) filing requirements applicable to such persons, with respect to fiscal 2009, appear not to have been complied with to the best of our knowledge. Forms 4 were filed late for directors Drs. Martin Maassen and Michael Bagnoli. Forms 3 were filed late for Messrs. William Paul Price and Michael Burton-Prateley.

ITEM 11. EXECUTIVE COMPENSATION.

The Company paid compensation to each of the directors and executive officers in the following amounts during fiscal year 2009:

Name	Salary

Position

Gunther Than

$

0

As Chairman of the Board, Director

$

476,25 0

As Chief Executive Officer and Treasurer

Martin Maassen

$

0

As Director

Michael Bagnoli

$

0

As Director

$

0

As Secretary

Michael Burton-Prateley

$

0

As Director

$

100,000

As Chief Financial Officer

William Paul Price

$

0

As Director

	$ 100,000
As Vice President of Network Services	

Mr. Than also receives the use of a Company car and fuel expense while on Company business.

SUMMARY COMPENSATION TABLE

Name and

Principal

Position

Fiscal

Year

Salary

($)

Bonus

($)

Stock

Awards

($)

Option

Awards

($)

Nonequity

Incentive

Plan

Compen-

sation ($)

Non-

Qualified

Deferred

Compen-

sation

Earnings

($)

All

Other

Compen-

sation

($)

Total

($)

Gunther Than

2009

$120,000

$256,250

$476,250

(Chief
Executive

2008

120,000

12,000

132,000

Officer,
President

2007

120,000

24,000

144,000

and Director)

Michael
Bagnoli

2009

0

0

(Secretary and

2008

0

0

Director)

2007

0

0

Martin Maassen

2009

0

0

(Director)

2008

0

0

2007

0

0

Michael Burton-Prateley (Chief Financial Officer and Director)	2009	0	100,000	100,000

William Paul
Price

2009

0

100,000

100,000

(Vice President of

Network Services

and Director)

Mr. Than also receives the use of a Company car and fuel expense while on Company business.

Payroll is accrued payable to Mr. Than at the rate of $10,000 per month. Therefore his annual rate of pay is $120,000. In addition, during the year ended December 31, 2009, Mr. Than was issued 10 ,000,000 shares of restricted common stock as compensation.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Mr. Than entered into an employment agreement with us and agreed to serve as our Chief Executive Officer, effective January 1, 2003. The written agreement specifies that Mr. Than's employment is "at will", and we may terminate him with or without cause with a 30-day written notice, or we may terminate him immediately and provide Mr. Than with severance pay in an amount equal to thirty (30) days of salary as of the date of termination. Prior to December 1, 2009, Mr. Than was entitled to receive an annual salary of $120,000 and 50,000 shares of common stock for each month of service. Mr. Than agreed to maintain the confidentiality of our trade secrets and not to compete with the Company or to solicit any employee or client of the company during his employment and for a period of one year after any termination of his employment. Mr. Than s salary was accrued and paid when cash is available. He has accrued his entitlement to partial compensation in common stock.

Mr. Than is the only officer with whom the Company has a written employment agreement. Mr. Than s current employment agreement was ratified as of December 1, 2009.

On December 1, 2009, the Company entered into an employment agreement with Gunther Than, our Director, Treasurer and Chief Executive Officer. This agreement supersedes Mr. Than s prior written employment agreement dated January 1, 2003. A copy of the employment agreement is incorporated by reference from Form 8-K filed on January 11, 2010 (Exhibit 10.1 thereto). The following is a summary of the pertinent parts of the Employment Agreement:

47

l

The Company will pay Mr. Than a base salary of $10,000.00 per month, subject to increase, but not decrease (unless the parties mutually agree), as determined by the Company s Board of Directors or by a committee of the Company s Board of Directors.

l

Mr. Than shall also be entitled to an incentive bonus, to be determined by the Board of Directors, as well as Options to purchase the Company s Common Stock.

l

Mr. Than shall also be entitled to per annum payment of at least 600,000 shares of Common Stock in exchange for the non-compete provision included in the Employment Agreement.

l

In the event of the involuntary termination of Mr. Than s service with us, without cause, the Agreement provides that Mr. Than shall be paid a salary and bonus equivalent to his salary and bonus of the year prior to his termination, for a period of three years.

l

Either party may terminate the Agreement upon at least ninety (90) days notice. In the event Mr. Than elects to terminate the Agreement, the Company, at its discretion may relieve him of all duties and immediately terminate the Agreement, provided however, that the Company shall pay Executive the compensation he has earned until the termination date included in Mr. Than s original termination notice.

Outstanding Equity Awards

No officer of the Company had any outstanding equity awards granted at December 31, 2008 or 2009.

Issuance of Common Stock

The Company authorized in December 2009 and issue d in January 2010: (1) 5,000,0000 shares of Common Stock , par value $0.001 per share, to Gunther Than as payment for deferred compensation and bonus for 2009 under the terms of his Executive Employment Agreement with the Company ; (2) 5,000,000 shares of Common Stock, par value $0.001 per share, to Martin Maassen as inducement to continue to fund the working capital needs of the Company ; and 5,000,0000 shares of Common Stock, par value $0.001 per share, each to Michael Burton-Prateley and William Paul Price as bonus compensation upon their appointment to the board of directors.

In February 2010 the Company issued 500,000 shares of Common Stock, par value $0.001 per share, to William Paul Price as performance based consulting compensation earned pursuant to his February 2009 consulting contract with the Company.

Directors Compensation

No director of the Company received compensation for services rendered in any capacity to the Company during the fiscal years ended December 31, 2008 and 2009.

Indemnification of Directors and Officers

Our Articles of Incorporation, as amended and restated , and our Bylaws provide for mandatory indemnification of our officers and directors, except where such person has been adjudicated liable by reason of his negligence or willful misconduct toward the Company or such other corporation in the performance of his duties as such officer or director. Our Bylaws also authorize the purchase of director and officer liability insurance to insure them against any liability asserted against or incurred by such person in that capacity or arising from such person's status as a director, officer, employee, fiduciary, or agent, whether or not the corporation would have the power to indemnify such person under the applicable law.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following tables set forth information as of March 30 , 2010 regarding the beneficial ownership of our common stock, (a) each stockholder who is known by the Company to own beneficially in excess of 5% of our outstanding common stock; (b) each director known to hold common stock; (c) the Company's chief executive officer; and (d) the executive officers and directors as a group. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares of common stock, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of stock. The percentage of beneficial ownership is based upon 83 , 903 ,369 shares of common stock outstanding as of March 30 , 2010.

NUMBER OF

SHARES

PERCENT OF

SHARES

NAME AND ADDRESS OF

TITLE

BENEFICIALLY

BENEFICIALLY

BENEFICIAL OWNER

OF CLASS

OWNED

OWNED

Michael L. Bagnoli

Common

15,009,000 (1)

1 7 .9%

40 Redwood Court

Lafayette, Indiana 47905

Martin Maassen	Common	11,210,624 (2)	1 3 . 4 %
1340 Fawn Ridge Drive			
West Lafayette, Indiana 47906			
Gunther Than	Common		

10,032,302

12. 0 %

1550 Caton Center Drive, Suite E

Preferred

89,647

100%

Baltimore, Maryland 21227

Michael Burton-Prateley

Common

5,000,000

6. 0 %

1550 Caton Center Drive, Suite E

Baltimore, Maryland 21227

William Paul Price

Common

6, 5 06,501

7. 8 %

1550 Caton Center Drive, Suite E

Baltimore, Maryland 21227

All Directors and officers

Common

47, 758 ,4 27

5 6 . 9 %

as a group

Preferred

89,647

100%

(1) Represents 5,007,625 common shares held by Mr. Bagnoli, 500 common shares held by his spouse and 875 common shares held by a trust.

(2) Represents 11,210,624 common shares held by Mr. Maassen and his spouse and 829,375 common shares held by his spouse.

The above table reflects share ownership as of the most recent date . Each share of common stock has one vote per share on all matters submitted to a vote of our shareholders. Each share of preferred stock has the equivalent of fifteen votes per share of common stock and is entitled to vote on all matters. Accordingly, Mr. Than s preferred stock has the voting rights of 1,344,705 common shares in addition to his ownership and voting rights to 10,032,302 common shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

In order for the Company to meet its financial obligations, the Company s President, Gunther Than, loans the Company funds on occasion and is repaid when funds are available. During 2006 and 2005 Mr. Than advanced to the Company a total of $0 and $64,000, respectively. The Company did not repay these advances during 2006 or 2005 so the balance due to Mr. Than remains at $64,000.

A shareholder advanced cash on August 9, 2006 to the Company to help with short-term working capital needs in the aggregate amount of $50,000 and was paid monthly interest payments of $2,500 until February 28, 2007, at which point payments were halted after conversations with the lending shareholder.

A shareholder made an unsecured loan in the principal amount of $100,000 which was due in full on November 1, 2007 with interest at 15%. The note is convertible into shares of common stock at the option of lender at the rate of

$0.075 per share of common stock. If converted in full, this amounts to 16,667 shares. At the present time, the shareholder has requested payment of $137,150.68 in cash.

In October 2007, a shareholder made an unsecured loan of $116,000 with interest at 12% per year. The amount currently outstanding is $136,880

Between May and September 2009, Michael Burton-Prateley loaned the Company a total of $50,500 and this amount is currently outstanding. Mr. Burton-Pratel e y also received a total of 3,500,000 shares of Company common stock in May 2009 as partial payment for consulting services rendered to the Company between 2006 to approximately January 2009. The shares were sold prior to Mr. Burton-Pratel e y s December 2009 appointment as an officer of the Company.

William Paul Price received 500,000 shares of Company common stock in September 2009 as non-officer salary and also received 1,000,000 shares of Company common stock in exchange for his interest in FiberXpress, Inc. a company acquired by View Systems, Inc. in September 2009. Mr. Price sold 493,498 shares prior to his December 2009 appointment as an officer of the Company.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table shows the fees paid or accrued for the audit and other services provided by our principal accountant, Larry O Donnell, CPA, PC for 2009 and the conclusion of 2008 and Davis, Sita & Company, PA, which audited 2007, which was billed in 2008, and the commencement of the audit for 2008 which was subsequently completed by Larry O Donnell, CPA, PC. The information displayed as 2009 includes $6,600 for Larry O Donnell, CPA, PC and $10,000 for Davis, Sita & Company, PA.

	2009	2008
Audit fees	$ 15,000	$ 16,700
Audit related fees	1,600	6,000
Tax fees	0	5,564
All other fees	0	0

Audit Fees

Audit fees represent the professional services rendered for the audit of our annual financial statements and the review of our financial statements included in quarterly reports, along with services normally provided by the accountant in connection with statutory and regulatory filings or engagements.

Audit Related Fees

Audit-related fees represent professional services rendered for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of our financial statements that are not reported under audit fees.

Tax Fees

Tax fees represent professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

All Other Fees

All other fees represent fees billed for products and services provided by the principal accountant, other than the services reported for the other categories.

PRE-APPROVAL POLICIES

Our audit committee makes recommendations to our board of directors regarding the engagement of an auditor. Before the auditor renders audit and non-audit services our board of directors approves the engagement. Our audit committee does not rely on pre-approval policies and procedures.

ITEM 15. EXHIBITS.

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

4.2

Subscription Agreement between View Systems, Inc. and Starr Consulting, Inc., Active Stealth, LLC, and KCS Referral Service LLC, dated December 23, 2005 (Incorporated by reference to exhibit 4.1 of Form 8-K, filed January 6, 2006)

10.1

View Systems, Inc. 1999 Stock Option Plan and 1999 Restricted Share Plan (Incorporated by reference to exhibit s 10.16 and 10.9, respectively, to Form SB-2 filed January 11, 2000)

10.2

View Systems, Inc. 2000 Restricted Share Plan (Incorporated by reference to exhibit 4.1 to Schedule 14A filed May 3, 2000)

10.3

Employment agreement between View Systems and Gunther Than, dated January 1, 2003 (Incorporated by reference to exhibit 10.3 for Form 10-KSB, filed April 14, 2004)

10.4

Employment agreement between View Systems and Gunther Than, dated December 1, 2009 (Incorporated by reference to exhibit 10.1 to Form 8-K, filed January 11, 2010)

10.5

Subcontractor Agreement dated March 9, 2009 between MasTec North America, Inc. and View Systems, Inc. (Incorporated by reference to exhibit 10.3 for Form 10-Q, Amendment No. 1, for the period ended March 31, 2009)

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 *

*Filed herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 30, 2010.

View Systems, Inc.

By: *<u>/s/ Gunther Than</u>*

Gunther Than

Chief Executive Officer

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

Each person whose signature appears below appoints Gunther Than as his or her attorney-in-fact, with full power of substitution and re-substitution, to sign any and all amendments to this report on Form 10-K of View Systems, Inc., and to file them, with all their exhibits and other related documents, with the Securities and Exchange Commission, ratifying and confirming all that their attorney-in-fact and agent or his or her substitute or substitutes may lawfully do or cause to be done by virtue of this appointment. In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Issuer and in the capacities and on the dates indicated:

Name

Title

Date

/s/ Gunther Than

Director, Chief Executive Officer and Treasurer

March 30, 2010

Gunther Than

/s/ Michael L. Bagnoli

Director and Secretary

March 30, 2010

Michael L. Bagnoli

*/s/ Martin J. Maass*en

Director

March 30, 2010

Martin J. Maassen

/s/ Michael Burton-Prateley

Director

March 30, 2010

Michael Burton-Prateley

/s/ William Paul Price

Director

March 30, 2010

William Paul Price