VIEW SYSTEMS INC
Form 10QSB
August 13, 2003

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

FORM 10-QSB

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

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

Commission File Number 0-30178

VIEW SYSTEMS, INC.
(Exact name of small business issuer as specified in its charter)

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

1100 Wilso Drive
Baltimore, Maryland 21223
(Address of principal executive offices)

(410) 646-3000
(Issuer's telephone number)

7717 West 6th Avenue, Suite A & B
Lakewood, Colorado 80205
(Former address)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

As of July 28, 2003, the issuer had 45,620,619 shares of common stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial information set forth below with respect to our statements of operations for the three and six month periods ended June 30, 2003 and 2002 are unaudited. This financial information, in the opinion of management, includes all adjustments consisting of normal recurring entries necessary for the fair presentation of such data. The results of operations for the six month period ended June 30, 2003, are not necessarily indicative of results to be expected for any subsequent period. These statements should be read in conjunction with our Form 10-KSB for the year ended December 31, 2002 which was filed with the Securities and Exchange Commission on March 31, 2003.

VIEW SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2003 AND DECEMBER 31, 2002

ASSETS

	June 30, 2003 (Unaudited)	December 31, 2002
CURRENT ASSETS:		
Cash	$ 3,056	$ 3,229
Accounts receivable (Net of allowance for uncollectible accounts of $10,000 at June 30, 2003 and December 31, 2002	130,066	62,711
Inventory	99,940	171,326
Total current assets	233,062	237,266
PROPERTY AND EQUIPMENT:		
Equipment	348,385	348,385

Leasehold improvements	17,940	17,940
Software tools	34,571	34,571
Vehicles	46,832	46,832
	447,728	447,728
Less accumulated depreciation	235,687	204,247
Net value of property and equipment	212,041	243,481
OTHER ASSETS:		
Goodwill	781,248	781,248
Licenses and patents	1,538,925	1,626,855
Due from affiliated entities	118,827	123,327
Deposits	2,532	2,532
Total other assets	2,441,532	2,533,962
TOTAL ASSETS	$ 2,886,635	$ 3,014,709

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 377,544	$ 445,623
Accrued interest	78,343	72,843
Notes payable - related entities	916,950	599,450
Total current liabilities	1,372,837	1,117,916
STOCKHOLDERS' EQUITY:		
Common stock-par value $0.001		
50,000,000 shares authorized,		
45,275,619 shares issued and outstanding	45,275	-
44,598,620 shares issued and outstanding	-	44,598
Additional paid-in capital	13,896,751	13,810,878
Accumulated deficit	(12,428,228)	(11,958,683)
Total stockholders' equity	1,513,798	1,896,793
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,886,635	$ 3,014,709

See Accompanying Notes.

VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTH PERIODS ENDED
JUNE 30, 2003 AND DECEMBER 31, 2002
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
REVENUE:				
Sales of security systems	$ 53,568	$ 71,512	$ 99,758	$ 131,596
Sales of weapons detection portals	92,917	-	112,417	-
Total sales	146,485	71,512	212,175	131,596
Cost of goods sold	67,454	39,338	94,990	72,114
GROSS PROFIT ON SALES	79,031	32,174	117,185	59,482
OPERATING EXPENSES:				
Advertising and promotion	11,872	1,139	11,872	9,110
Amortization	43,965	-	87,930	-
Bad debts	-	234,809	-	234,809
Business development	29,892	27,763	29,892	70,257
Depreciation	15,720	15,189	31,440	30,378
Dues and subscriptions	-	-	122	-
Insurance	4,380	7,146	7,088	16,495
Interest	2,957	6,878	5,966	11,654
Investor relations	16,119	17,007	16,119	51,829
Miscellaneous expense	4,891	7,135	4,891	9,935
Office expense	19,985	49,331	30,441	95,540
Professional fees	(36,595)	257,651	40,469	321,191
Rent	17,193	15,213	37,780	26,268
Repairs and maintenance	-	1,758	-	4,064
Research and development	1,342	21,404	11,432	74,886
Salaries and benefits	112,021	123,581	243,066	295,026
Taxes-other	2,140	20	2,290	2,150
Travel	3,401	12,332	14,749	30,779
Utilities	4,921	2,957	11,183	8,645
Total operating expenses	254,204	801,313	586,730	1,293,016
NET LOSS FOR THE PERIOD	$ (175,173)	$ (769,139)	$ (469,545)	$ (1,233,534)
LOSS PER SHARE:				
Basic	$ (0.004)	$ (0.03)	$ (0.01)	$ (0.04)
Diluted	$ (0.004)	$ (0.03)	$ (0.01)	$ (0.04)
WEIGHTED AVERAGE SHARES OUTSTANDING	45,275,619	26,501,289	44,937,195	27,166,289

See Accompanying Notes

4

VIEW SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
JUNE 30, 2003 AND 2002

	June 30, 2003 (Unaudited)	June 30, 2002 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (469,545)	$ (1,233,534)
Adjustments to reconcile net loss to net cash provided by operating activates:		
Depreciation and amortization	119,370	30,378
Bad debt expense	-	234,809
Employee compensation paid with stock	-	214,238
Changes in operating assets and liabilities:		
Accounts receivable	(67,355)	(1,008)
Inventory	71,386	(60,360)
Accounts payable	(68,079)	(24,414)
Accrued interest	5,500	5,500
Net cash used in operating activities	(408,723)	(834,391)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(21,023)
Funds advanced (to) from affiliated entities	4,500	(20,594)
Cash element in Milestone Acquisition	-	52,448
Net cash provided by investing activities	4,500	10,831
CASH FLOWS FROM FINANCING ACTIVITIES:		
Funds advanced (to) from shareholders	317,500	31,332
Repayment of note payable-bank	-	(6,052)
Proceeds from sales of stock	86,550	753,700
Net cash provided by financing activities	404,050	778,980
NET DECREASE IN CASH	(173)	(44,580)
CASH AT BEGINNING OF PERIOD	3,229	73,344
CASH AT END OF PERIOD	$ 3,056	$ 28,764

SIGNIFICANT NON-CASH INVESTING ACTIVITIES:		
Common stock issued in exchange for net assets of Milestone Technology, Inc. as follows:		
Accounts receivable	-	28,132
Inventory	-	359,647
Fixed assets	-	188
Patents	-	1,323,867
Accounts payable	-	(6,470)
Notes payable	-	(703,449)
Accrued interest	-	(28,343)

See Accompanying Notes

5

VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2003 AND DECEMBER 31, 2002

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balances at January 1, 2002	$ 20,193	$ 10,119,024	$ (8,035,214)	$ 2,104,003
Sales of common stock	3,415	750,285	-	753,700
Issuance of common stock in exchange for interest in Milestone Technology, Inc.	3,300	1,019,700	-	1,023,000
Issuance of common stock (employee and other compensation)	985	213,253	-	214,238
Net loss for the six months ended June 30, 2002	-	-	(1,233,534)	(1,233,534)
Balances at June 30, 2002 (Unaudited)	27,893	12,102,262	(9,268,748)	2,861,407
Sales of common stock	5,135	533,365	-	538,500
Issuance of common stock				

(employee and other compensation)	10,835	981,986	-	992,821
Issuance of common stock in payment of a note payable	735	193,265	-	194,000
Net loss for the period of July 1, 2002 to December 31, 2002	-	-	(2,689,935)	(2,689,935)
Balances at December 31, 2002	44,598	13,810,878	(11,958,683)	1,896,793
Sales of common stock	677	85,873	-	86,550
Net loss for the six months ended June 30, 2003	-	-	(469,545)	(469,545)
Balances at June 30, 2003 (Unaudited)	$ 45,275	$ 13,896,751	$(12,428,228)	$ 1,513,798

See Accompanying Notes

6

VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

View Systems, Inc. (the "Company") designs and develops computer software and hardware used in conjunction with surveillance capabilities. The technology utilizes the compression and decompression of digital inputs. In March 2002, the Company acquired Milestone Technology, Inc. which has developed a concealed weapons detection portal.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations. It is management's opinion, however, that all adjustments (consisting of normal recurring adjustments have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

Basis of Consolidation

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

Use of Estimates

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

Revenue Recognition

The Company and its subsidiaries recognize revenue and the related cost of goods sold upon shipment of the product, the price of the product is fixed or determinable and 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). The inventory at June 30, 2003 and December 31, 2002 consists entirely of weapons detection portals.

Property and Equipment

Property and equipment is recorded at cost and depreciated over their estimated useful lives, using the straight-line and accelerated depreciation methods. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. The useful lives of property and equipment for purposes or 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 six months ended June 30, 2003 and 2002 amounted to $31,440 and $30,378, respectively.

Income Taxes

Deferred income taxes are recorded under the asset 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.

Advertising

Advertising costs are charged to operations as incurred. Advertising costs for the six months ended June 30, 2003 and 2002 were $11,872 and $9,110, respectively.

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.

Goodwill

Goodwill represents the excess of the cost of assets acquired in business combinations accounted for under the purchase method of accounting over the fair value of the net assets acquired at the dates of acquisition. Effective January 1, 2002 goodwill will no longer be amortized but rather tested for impairment on an annual basis.

Licenses and Patents

The Company has assigned a value to licenses and patents acquired in its acquisition of Milestone which are being amortized on a straight-line basis over a ten-year period.

Net Loss Per Common Share

Basic net loss per common share ("Basic EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") 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. The calculation of the net loss per share available to common stockholders for the three and six months ended June 30, 2003 does not include potential shares of common stock equivalents, as their impact would be antidilutive.

Segment Reporting

The company has determined that it does not have any separately reportable operating segments as of June 30, 2003.

2. FINANCIAL CONDITION

Since its inception, the Company has incurred significant losses and as of June 30, 2003 had an accumulated deficit of $12.5 million. The Company believes that it will incur operating losses for the foreseeable future. There can be no assurance that the Company will be able to generate sufficient revenues to achieve or sustain profitability or sustain operations in the future.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets consist of the following:

		June 30, 2003		December 31, 2002	
	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:					
Licensed and patents	10.0	$ 1,758,594	$ 219,669	$ 1,758,594	$ 131,739
Intangible assets not subject to amortization:					
Goodwill		$ 1,346,972	$ 565,724	$ 1,346,972	$ 656,724

VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003

Amortization expense for the three and six months ended June 30, 2003 was $43,965 and $87,930, respectively.

Estimated amortization expense for each of the following years ending on December 31, is as follows:

2003	$ 175,860
2004	175,860
2005	175,860
2006	175,860
2007	175,860

4. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46 Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46). FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements. FIN 46 is effective immediately for VIEs created after January 31, 2003 and is effective beginning in the third quarter of 2003 for VIEs created prior to the issuance of the interpretation. The adoption of this standard will not have a material impact on the Company's financial statements.

Statement of Financial Accounting Standards (SFAS) No. 148 Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123 (SFAS 148) provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure requirements of SFAS 123, Accounting for Stock-Based Compensation to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of this standard will not have a material impact on the Company's financial statements.

On May 15, 2003, the FASB issued SFAS 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity and is effective May 31, 2003 for all new and modified financial instruments and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 changes the accounting for certain financial instruments that, under previous guidance issuers could account for as equity. SFAS 150 requires that those instruments be classified as liabilities (or assets in some circumstances). The adoption of this standard did not have a material impact on the Company's financial statements.

In this report references to "View Systems," "we," "us," and "our" refer to View Systems, Inc.

FORWARD LOOKING STATEMENTS

This quarterly report contains certain forward-looking statements that involve risks and uncertainties, such as statements of the View System's plans and expectations. Any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within View Systems's control. These factors include but are not limited to economic conditions generally and in the industry which View Systems participate; competition within View Systems's chosen market and failure by View Systems to successfully develop business relationships.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

View Systems designs and develops computer software and hardware used in conjunction with surveillance capabilities. We have incurred losses for the past two fiscal years and have an accumulated deficit of $12,428,228 at June 30, 2003. Management believes we will incur operating losses for the foreseeable future. However, management expects projected sales revenues and anticipated equity infusions and advances from management to be sufficient to provide sufficient funding to sustain operations through June 30, 2004.

Since start-up of operations in September 1998, we have devoted most of our resources to the development of digital video surveillance products. However, in March 2002 we shifted the focus of our operations to the introduction of our SecureScan Concealed Weapons Detection System. We have worked diligently to make engineering design changes to the Concealed Weapons Detection product to accommodate the price points required by competitive pressures. The engineering design changes required locating new sources for components and limited field testing. In addition, demonstration of the product involves the shipping of a large bulky archway and a highly trained technical staff, consequently, sales cycle times are lengthy.

Acquisition Treatment

In December of 2001 we entered into a joint venture agreement with Milestone Technology, Inc., an Idaho corporation, to develop its Concealed Weapons Detection portal. As part of the agreement we issued 500,000 shares of View Systems common stock for a 6% interest in Milestone Technology and the rights to the Concealed Weapons Detection technology. Then on March 25, 2002, View Systems acquired the remaining 94% interest of Milestone Technology in exchange for 3,300,000 common shares. This acquisition was valued at approximately $1,298,000 and was accounted for under the purchase method of accounting. Accordingly, Milestone Technology's results of operation have been included with View Systems from the closing date in March 2002 and its consolidated assets and liabilities have been recorded at their fair values on the same date. In May 2003 a controversy arose regarding the ownership of Milestone Technology, Inc. and the Concealed Weapons Detection technology, see, "Part II, Item 1: Legal Proceedings" for further details.

Results Of Operations

The following discussion and analysis should be read in conjunction with our unaudited financial statements and the accompanying notes for the three and six month periods ended June 30, 2003 and 2002, which are included in this report.

Sales -- Total sales increased 61.2% from $131,596 for the six month period ended June 30, 2002 to $212,175 for the six month period ended June 30, 2003. Total sales increased 104.8% from $71,512 for the three month period ended June 30, 2002 to $146,485 for the three month period ended June 20, 2003, our 2003 second

quarter. These increases in sales are largely due to the addition of sales for our SecureScan Concealed Weapons Detection product. The sales cycles in the concealed weapons detection market are long and require the approval of highly bureaucratic decision makers. However, in contrast to digital video storage, the Concealed Weapons Detection product price points and profit margins are larger.

Costs Of Goods Sold -- Cost of products and services sold consist principally of the costs of hardware components and supplies. We generally operate through resellers who install and service the units. We do not determine our inventory on a quarterly basis, instead we do it on an annual basis. Therefore, our cost of goods sold calculations are based on estimates of inventory used in products sold. These costs increased $22,876, or 31.7%, in the 2003 six month period compared to the 2002 six month period. These costs increased $28,116, or 71.5%, for the 2003 second quarter compared to the 2002 second quarter. As our product sales increase we expect that our costs of goods and services sold will decline and stabilize as a percentage of total sales. Also, we have been working on engineering changes in our SecureScan products that we expect will lower component costs for these products.

Gross Profit -- Gross profit for the 2003 six month period increased $57,703, or 97.0%, compared to the same period in 2002. Gross profit increased $46,857, or 145.6%, for the 2003 second quarter compared to the 2002 second quarter.

Total Operating Expense -- Total operating expenses for the 2003 six month period decreased $706,286 compared to the 2002 six month period. These expenses decreased $547,109 for the 2003 second quarter compared to the 2002 second quarter. The 2003 decrease is principally the result of a combination of bad debt expense of $234,809 recognized in the 2002 comparable periods and reductions in professional fees, research and development and office expense in the 2003 periods.

Net Loss -- Our net loss was $469,545 for the 2003 six month period compared to $1,233,534 for the 2002 comparable period. Our net loss was $175,173 for the 2003 second quarter compared to a net loss of $769,139 for 2002 second quarter. Our net loss per diluted weighted average outstanding share was $0.01 for the 2003 six month period compared to $0.04 for the 2002 six month period and was $0.004 for the 2003 second quarter compared to $0.03 for the 2002 second quarter.

Liquidity and Capital Resources

Historically, we have funded our cash requirements primarily through equity transactions. We are not currently generating sufficient cash from our operations to finance our business and will continue to need to raise capital from other sources. At June 30, 2003 we had negative working capital of $1,139,775. We had total assets of $2,886,635 at June 30, 2003 compared to total assets of $3,014,709 at December 31, 2002. Total current liabilities were $1,372,837 at June 30, 2003 compared to $1,117,916 at December 31, 2002. This resulted in stockholders' equity of $1,513,798 for the 2003 six month period compared to $1,896,793 at December 31, 2002.

During the six months ended June 30, 2003, net cash used in operating activities was $408,723 compared to net cash used of $834,391 for the 2002 six month period. Net cash provided by investing activities was $4,500 in the 2003 six month period and was related to advances from affiliated entities. Net cash provided by investing activities was $10,831 in the 2002 six month period and was primarily the result of the acqusition of cash in the Milestone Technology acquisition.

Net cash provided by financing activities during the 2003 six month period was $404,050, consisting of proceeds received from sales of stock of $86,550 and loans from shareholders of $317,500. During the 2002 six month period net cash generated from financing was $778,980 and was primarily the result of proceeds from sales of our common stock.

During the six month period ended June 30, 2003 we have relied primarily on our management for cash infusions to sustain operations. These cash infusions are in the form of advances without repayment terms. It is

anticipated that we will require additional advances at least until equity financing is arranged. There can be no assurance that these funds will be available in the future

Commitments and Contingent Liabilities

Our commitments include operating leases and current liabilities. At December 31, 2002, future minimum payments for operating leases related to properties in Colorado, Maryland and Idaho were $183,069 through 2006. Other commitments include notes payable of $916,950 for the 2003 six month period, which are related to notes payable of $354,450 to former shareholders of companies we acquired, $245,000 payable to a commercial bank and $317,500 advanced by shareholders during the 2003 second quarter.

Financing

We operate in a very competitive industry that requires continued large amounts of capital to develop and promote our products. We currently estimate we will need between $1 million and $2 million to fully develop our products and further expand our business operations. We believe that it will be essential to continue to raise additional capital, both internally and externally, to compete in this industry. Management intends to finance our operations through additional equity financing, which we expected to complete by the first quarter of 2003. We delayed this financing, but anticipate completion of equity financing before the end of 2003. Any proceeds we may receive from these equity transactions will be used for business operations. We cannot assure that this financing will be successful and we may be required to further reduce expenses and scale back our operations. In addition to accessing the public and private equity markets, we will pursue bank credit lines and equipment leases for certain capital expenditures.

ITEM 3: CONTROLS AND PROCEDURES

Our CEO and principal financial officer, Gunther Than, has supervised the design and establishment of disclosure controls and procedures to ensure that material information is made known to him in a timely manner by others within the company and its subsidiaries. He reevaluated the effectiveness of these disclosure controls and procedures as of the end of the period covered by this report and determined that there continued to be no significant deficiencies in these procedures.

Also, Mr. Than evaluated the design and operation of our internal control over financial reporting which relates to our ability to record, process, summarize and report financial information. He did not find any significant deficiency or material weakness which would require changes to be made or corrective actions to be taken related to our internal control over financial reporting. Nor did he identify fraud that involved management or other employees who had a significant role in our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On May 8, 2003, View Systems, Inc. filed a complaint against Messrs. Steve Williams and Paul Reep, former officers and shareholders of Milestone Technology, Inc. The complaint was filed in the United States District Court for the District of Maryland Division and the controversy is related to the ownership of Milestone Technology, Inc. and the Concealed Weapons Detection System. View Systems claims ownership of Milestone Technology, Inc. and the exclusive licensing rights to the Concealed Weapons Detection System.

View Systems asked the court to declare it as the beneficial and legal owner of 100% of the outstanding Milestone Technology, Inc. shares pursuant to a purchase contract dated May 24, 2002. View Systems also asked the court to require Messrs. Williams and Reep to complete the conveyance of all of the Milestone Technology, Inc. shares in accordance with the agreement. In addition, View Systems seeks to enjoin Messrs. Williams and Reep

from the use, sale, marketing or exploitation of the assets of Milestone Technology, Inc. View Systems also asked the court to enjoin Mr. Williams from acting for or on behalf of Milestone Technology, Inc. Management and counsel negotiated a settlement with Mr. Williams and Milestone Technology, Inc. in July 2003; but we continue to pursue Mr. Reep.

ITEM 5: OTHER INFORMATION

On July 31, 2003, View Systems, Inc., completed a change of domicile merger moving its domicile from Florida to Nevada. As part of the domicile merger, the following persons were named as directors and officers of View Systems, Inc., Nevada.

Barry S. Feldman	President and Director
Gunther Than	Chairman of the Board and Treasurer
William D. Smith	Secretary and Director
Dr. Michael L. Bagnoli	Director
Dr. Martin Maassen	Director

Barry S. Feldman is 63 years old and in May 2003 joined View Systems as President. From April 2002 to April 2003 he was a partner and Sr. Vice President Corporate Relations for Summit Resource Group. From July 1998 to February 2002 he was Sr. Vice President Corporate Relations for Columbia Financial Group. Mr. Feldman has over 25 years experience with small business corporate restructuring, management and financing. He holds a Bachelors of

Science in Business Management from Rutgers University.

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K

Part II Exhibits

3.1	Articles of Incorporation and all Articles of Amendment of View Systems, Inc. (Incorporated by reference to registration statement on Form SB-2, filed January 11, 2000)
3.2	By-Laws of View Systems, Inc. (Incorporated by reference to registration statement on Form SB-2, filed January 11, 2000)
10.1	View Systems, Inc. Employment Agreement with Gunther Than. (Incorporated by reference to registration statement on Form SB-2, filed January 11, 2000)
21.1	Subsidiaries of Registrant (Incorporated by reference to Form 10-KSB, filed March 31, 2003)
31.1	Section 302 Chief Executive Officer Certification
31.2	Section 302 Principal Financial Officer Certification
32.1	Section 1350 Certification

Reports on Form 8-K

On May 19, 2003, we filed a current report on Form 8-K, dated May 8, 2003, under Item 5, disclosing the initiation of a legal proceeding related to the ownership of Milestone Technology, Inc. No financial statements were filed.

14

SIGNATURES

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

VIEW SYSTEMS, INC.

Date: August 12, 2003

By: /s/ Barry S. Feldman
Barry S. Feldman
President and Director

Date: August 12, 2003

By: /s/ Gunther Than
Gunther Than
CEO, Principal Financial Officer,
Treasurer and Chairman of the Board