VIEW SYSTEMS INC
Form 10-Q
May 20, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **MARCH 31, 2015**

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

Commission file number **000-30178**

VIEW SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**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)

(410) 242-8439

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer [ ]	Accelerated filer [ ]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

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

Class	Outstanding at May 18, 2015
Common Stock, $.001 par value per share	**308,605,526**

VIEW SYSTEMS, INC.

FORM 10-Q

FOR THE PERIOD ENDED MARCH 31, 2015

INDEX

		Page
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS		3
PART I. FINANCIAL INFORMATION		4
Item 1.	Financial Statements	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Qualitative and Quantitative Disclosures About Market Risk	31
Item 4.	Controls and Procedures	31
PART II. OTHER INFORMATION		32
Item 1.	Legal Proceedings	32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3.	Defaults Upon Senior Securities	32
Item 4.	Mine Safety Disclosure	32
Item 5.	Other information	32
Item 6.	Exhibits	32
SIGNATURES		33

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

Information included in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of View Systems, Inc. (the “Company”), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “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.

Table of Contents 1

View Systems, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash	$11,589	$13,077
Accounts receivable	59,190	26,745
Inventory	1,088	1,088
Total current assets	71,867	40,910
Property and Equipment (Net)	3,672	3,922
Other Assets		
Deposits	2,872	2,872
Total other assets	2,872	2,872
Total assets	$78,411	$47,704
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued expenses	$520,215	$497,787
Deferred compensation	30,265	565
Accrued and withheld payroll taxes payable	174,754	174,405
Accrued interest payable	73,125	65,625
Accrued royalties payable	225,000	225,000
Loans from stockholders	495,554	432,293
Notes payable	80,121	80,121
Deferred revenue	73,130	73,168
Total current liabilities	1,672,164	1,548,964
Long-Term Liabilities		
Long-term portion of notes payable	3,706	11,061
Total liabilities	1,675,870	1,560,025
Stockholders' Deficit		
Convertible preferred stock, authorized 10,000,000 shares, $.001 par value,		
Issued and outstanding 4,089,647	4,090	
Issued and outstanding 5,489,647	—	5,490
Common stock, authorized 950,000,000 shares, $.001 par value,		
Issued and outstanding 301,605,526	301,605	—
Issued and outstanding 280,605,526	—	280,605
Common stock issuable	16,000	16,000
Additional paid in capital	27,115,175	27,134,775
Accumulated deficit	(29,034,329)	(28,949,191)

Total stockholders' deficit	(1,597,459)	(1,512,321)
Total Liabilities and Stockholders' Deficit	$78,411	$47,704

Table of Contents 2

View Systems, Inc. and Subsidiaries
Consolidated Statements of Operations (Unaudited)

	For the Three Months Ended March 31, 2015	2014
Revenues		
Products sales and installation	$56,802	$53,917
Revenue from extended warranties	16,188	36,356
Total revenue	72,990	90,273
Cost of sales	33,780	19,071
Gross profit	39,210	71,202
Operating expenses		
General and administrative	32,504	60,576
Professional fees	30,040	280,737
Salaries and benefits	53,779	100,019
Total operating expenses	116,323	441,332
Loss from operations	(77,113)	(370,130)
Other income (expense)		
Stock compensation expense	—	—
Interest expense	(8,025)	(8,881)
Total other income (expense)	(8,025)	(8,881)
Net loss	$(85,138)	$(379,011)
Net loss per share (basic and diluted)	$(0.00)	$(0.00)
Weighted average shares outstanding (basic and diluted)	285,038,859	244,557,551

Table of Contents 3

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

	For the Three Months Ended March 31, 2015	2014
Cash flows from operating activities:		
Net loss	$(85,138)	$(379,011)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	250	1,600
Common stock issued/issuable in payment of services	—	80,389
Interest expense paid with debt	519	1,321
Change in operating assets and liabilities:		
(Increase) decrease in cash from:		
Accounts receivable	(32,445)	(20,726)
Inventories	—	13,155
Increase (decrease) in cash from:		
Accounts payable and accrued expenses	22,428	146,886
Deferred compensation	29,700	56,205
Payroll taxes accrued and withheld	349	(2,959)
Accrued interest	7,500	7,500
Deferred revenue	(38)	13,695
Net cash used in operating activities	(56,875)	(81,945)
Cash flows from financing activities:		
Proceeds from sales of common stock	—	25,000
Proceeds/payments from stockholders loans	62,742	29,040
Principal payments on notes payable	(7,355)	(12,072)
Net cash provided by financing activities	55,387	41,968
Decrease in cash	(1,488)	(39,977)
Cash at beginning of period	13,077	53,078
Cash at end of period	$11,589	$13,101
Cash paid for:		
Interest	$525	$60
Income Taxes	$—	$—
Non-Cash Investing and Financing Activities:		
Issuance of common stock issuable	$—	$522,720
Notes payable paid by shareholder	$—	$6,440

Table of Contents 4

VIEW SYSTEMS, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Milestone Technology, Inc. and FibreXpress, Inc. 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.

Accounts Receivable

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

The Company did not recognize any bad debt expense for the periods ended March 31, 2015 and 2014, respectively. Management's determination is that the remaining balance is collectible and therefore no allowance for possible uncollectible accounts receivable has been recorded for the periods ended March 31, 2015 and 2014, respectively.

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, installed (if necessary) and accepted by the customer as a completed sale. The concealed weapons detection 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 and acceptance by the customer. 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. Customers can purchase extended warranties, which provide for replacement or repair of the unit beyond the period provided by the unconditional warranty. Warranties can be purchased for various periods but generally they are for one year period that begins after any other warranties expire. The revenue from warranties is recognized on a straight line basis over the period covered by the warranty. Prior to the issuance of financial statements management reviews any returns subsequent to the end of the accounting period which are from sales recognized during the accounting period, and makes appropriate adjustments as necessary. Product prices are fixed or determinable and products are only shipped when collectability is reasonably assured.

VIEW SYSTEMS, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories

Inventories stated at the lower of cost or market. Cost is determined by the first-in-first-out method (FIFO). As of March 31, 2015 and December 31, 2014 the Company’s inventory consisted of unassembled parts of the product.

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:

EquipmentM-10 years

Software toolsM years

Repairs and maintenance charges which do not increase the useful lives of assets are charged to operations as incurred. Depreciation expense for the periods ended March 31, 2015 and 2014 amounted to $250 and $1,600, respectively.

Income Taxes

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

The Company files income tax returns in the U.S. federal jurisdictions, and in various state jurisdictions. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years prior to 2010. The Company policy is to recognize interest related to unrecognized tax benefits as income tax expense. The Company believes that it has appropriate support for the income tax positions it takes and expects to take on its tax returns, and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter.

Research and Development

Research and development costs are expensed as incurred.

Nonmonetary Transactions

Nonmonetary transactions are accounted for in accordance with ASC 845 " 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.

Table of Contents 6

VIEW SYSTEMS, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Stock-Based Compensation

The Company accounts for share-based compensation at fair value. Share-based compensation cost for stock options granted to employees, board members and service providers is determined at the grant date using an option pricing model that uses level 3 unobservable inputs. The value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service period.

Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss available to common stockholder by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares and dilutive potential common share equivalents then outstanding. Potential common shares consist of shares issuable upon the exercise of stock options and warrants in addition to shares that may be issued in the event that convertible debt is exchanged for shares of common stock. The calculation of the net loss per share available to common stockholders for the periods ended March 31, 2015 and 2014 does not include potential shares of common stock equivalents, as their impact would be antidilutive. The following reconciles amounts reported in the financial statements:

	(Loss) (Numerator)	Weighted Average Shares (Denominator)	Per-share Amount
Period ended March 31, 2015			
Loss from operations which is the amount that is available to common stockholders	$ (85,138)	285,038,859	$ (0.00)
Period ended March 31, 2014			
Loss from operations which is the amount that is available to common stockholders	$ (379,011)	244,557,551	$ (0.00)

2. GOING CONCERN

The Company has incurred and continues to incur, losses from operations. For the periods ended March 31, 2015 and 2014, the Company incurred net losses of $85,138 and $379,011, respectively. In addition, certain notes payable have come due and the note holders are demanding payment.

Management is very actively working to cure these situations and 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 2015 and 2014, 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. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. GOING CONCERN (continued)

Historically, the Company has financed its operations primarily through private financing. It is management's intention to finance operations during the remainder of 2015 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.

As described in Note 4, the Company is currently in default on a $50,000 loan from a stockholder.

The consolidated financial statements presented above and the accompanying Notes have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future, and does not include any adjustments to reflect possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result from the outcome of any extraordinary regulatory action, which would affect our ability to continue as a going concern.

Due to the conditions and events discussed above, there is substantial doubt about the Company's ability to continue as a going concern.

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 and will have a significant effect on the Company's financial statements.

4. NOTES PAYABLE

Notes payable as of March 31, 2015 and December 31, 2014 consists of the following:

	2014	2014
Lafayette Community Bank		
A term loan secured by a stockholder, payable in monthly installments of $2,587 commencing in December 25, 2009 but refinanced in May 2011. The loan is due in full on May 18, 2016 and interest accrues monthly at 5.0% per annum.	$33,827	$41,182
Stockholder		
Demand loan payable with interest at 5% per month dated September 18, 2009. The loan is secured by the Company's accounts receivable. The note was payable in full on December 17, 2009 and is currently in default	50,000	50,000
TOTAL	$83,827	$91,182
Less current portion	80,121	80,121
Non-current portion	$3,706	$11,061

Principal payments for the next five years:

2015	$80,121
2016	3,706
Thereafter	0
Total	$83,827

VIEW SYSTEMS, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAXES

For income tax purposes the Company has net operating loss carry forwards of $26,810,000 as of December 31, 2014 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. IRS regulations also provide that significant changes in ownership (greater than 50%) could result in the expiration of some of the net operating loss carry forwards. As of the date of this report the Company has not made an analysis of the changes in ownership to determine if any of these losses have expired.

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. Due to continuous losses from operations the Company has assigned a full valuation allowance against its deferred tax assets.

6. CONVERTIBLE PREFERRED STOCK

In July 2005 the Company issued 7,171,725 shares of Series A Preferred Stock in payment of services. The issuance had been previously authorized by the Board of Directors. Each share of Series A Preferred Stock has a liquidation preference, in the event of liquidation of the Company, of $0.001 per share before any payment or distribution is made to the holders of common stock.

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.

Effective in 2010 the initial issuance of Series A Preferred can be converted into common stock in the ratio of 15:1. During 2011 the Board of Directors authorized the issuance of an additional 1,400,000 shares of Series A Preferred Stock in payment of a loan from a shareholder in the amount of $64,000 and also in payment of services in the amount of $34,000. These additional shares can be converted to common stock beginning in 2013. Each share is entitled to fifteen votes and shall be entitled to vote on any matters brought to a vote on the common stock shareholder.

During 2012 the Board of Directors authorized the issuance of an additional 1,500,000 shares of Series A Preferred Stock in payment of deferred compensation and current compensation in the amount of $161,463.

During 2013 the Board of Directors authorized the issuance of an additional 500,000 shares of Series A Preferred Stock in payment of professional services in the amount of $225,000.

During 2014 the Board of Directors authorized the issuance of an additional 2,000,000 shares of Series A Preferred Stock in payment of deferred and current compensation in the amount of $480,000.

During 2015 an owner of preferred stock elected to convert 1,400,000 shares of his preferred stock into 21,000,000 shares of the Company’s common stock.

7. OPERATING LEASE

The Company leases 3,600 sq. ft. of office and warehouse space at 1550 Caton Center Drive, Suites D and E, Baltimore, Maryland, under a non-cancellable operating lease which expires in May 2015. The original base rent was $3,077 per month with a 3% annual rent escalator clause. The current monthly rent is $3,464. Rent expense, which includes the Caton Center property as well as some other short-term leases, was $10,648 and $10,477 for the periods ended March 31, 2015 and 2014, respectively.

Table of Contents 9

VIEW SYSTEMS, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. STOCK BASED COMPENSATION

On April 2, 2010 the Company adopted its 2010 Equity Incentive Plan. Reserved for equity issuances under the Equity Incentive Plan are 50,000,000 shares of our common stock.

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

During 2014, the Company issued the following compensatory shares outside of its existing Stock Option and Restricted Share Plans at the discretion of the Board of Directors:

For the year ended December 31, 2014 there were 33,324,666 shares of common stock issued in payment of expenses amounting to $591,930.

In addition, 500,000 shares of common stock were issued during 2014 in payment of accounts payable of $10,000 and another 750,000 shares of common stock were issued in payment of notes payable of $15,000.

In addition, 4,500,000 shares of common stock were issued during 2013 in payment of accounts payable of $90,900 and another 1,500,000 shares of common stock were issued in payment of notes payable of $7,500.

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

Stock Options and Warrants

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

Table of Contents 10

VIEW SYSTEMS, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. STOCK BASED COMPENSATION (continued)

Stock Options

Certain nonqualified stock options were issued during the period ended June 30, 2013 to a member of the board of directors as compensation for services performed and remaining outstanding as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at Dec 31, 2014	10,000,000	$ 0.03	4.14	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding at March 31, 2015	10,000,000	$ 0.03	2.33	$ —
Exercisable at March 31, 2015	10,000,000	$ 0.03	2.33	$ —

The Company uses the Black-Scholes option pricing model to calculate the fair value of options. Significant assumptions used in this model include:

Annual Dividend	—
Expected Life (in years)	5.00
Risk Free Interest Rate	0.78%
Expected Volatility	325.25%

The 10,000,000 options granted for the year ended December 31, 2014 had a weighted average grant date fair value of $0.03.

9. RELATED PARTY TRANSACTIONS

Certain stockholders made cash advances to the Company to help with short-term working capital needs. The net proceeds from stockholders with unstructured payment plans amounted to $62,742 and $29,040 for the periods ended March 31, 2015 and 2014, respectively. The total balance due on unstructured loans from stockholders amounted to $495,554 as of March 31, 2015 and $432,293 at December 31, 2014. Loans from stockholders made with repayment terms are described in Note 4 above.

10. ISSUABLE COMMON STOCK

As of March 31, 2015 and December 31, 2014 740,000 shares of the authorized shares, amounting to $16,000 had not been issued.

VIEW SYSTEMS, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. CONTINGENT LIABILITY

Effective January 1, 2014 the Board of Directors authorized a new employment contract with Gunther Than, CEO of View Systems, Inc. That employment contract provides that in the event of a change in control of the Board of Directors or a buyout or takeover or substantial change of management structure Mr. Than will receive a minimum of three year's salary plus 4.8 million shares of unrestricted stock of the equivalent in cash at Mr. Than's direction. Mr. Than's current base salary is $120,000 per annum.

12. MERGER AGREEMENT

On October 14, 2014 the Company signed a letter of intent to execute a merger with Potomac River Group, LLC, a privately held provider of specialized and technical support services to the U. S. government. Terms and conditions of the merger agreement have not been finalized. The merger is expected to close in the second quarter of 2015 and negotiation continue.

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

EXECUTIVE OVERVIEW

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, judicial facilities, probation offices and federal facilities in the Mid-Atlantic States, the West Coast and the South. In 2003 we added a hazardous material first response wireless video transmitting system to our product line we refer to as Visual First Responder. The markets for these units are first responder units for agencies 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 ("INEL"). 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, we have 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.

Letter of Intent

On January 29, 2015, we entered into that certain letter of intent (the "Letter of Intent") with Potomac River Group LLC ("PRG"), regarding the acquisition by PRG of substantially all of the assets and certain specified liabilities of our business (the "Transaction"). In accordance with the terms and provisions of the Letter of Intent: (i) we will transfer substantially all of our assets and certain specified liabilities free and clear of all encumbrances to a newly created wholly-owned limited liability company (the "Merger Sub"); (ii) we will further consolidate all of our outstanding shares into a single class of common stock that will remain publicly traded; and (iii) subsequently, the Merger Sub and PRG will merge with PRG as the survivor and we will change our name to "Potomac River Group Holdings Inc.". In further accordance with the terms and provisions of the Letter of Intent, we will receive approximately 12% of the membership interests of PRG and the then existing members of PRG will receive 88% of the membership interests of PRG, which will be exchangeable into shares our common stock on a one-for-one basis.

Certain conditions must be met before the parties memoralize the final terms in a definitive agreement as follows: (i) PRG's satisfactory completion of due diligence; (ii) renegotiation and execution of certain banking/lending arrangements satisfactory to PRG; (iii) the respective board of directors and shareholders of PRG and us approving the Transaction; (iv) receipt of any regulatory approvals and third party consents; and (v) certain employment agreements entered into, including one with Gunther Than, our current President/Chief Executive Officer.

We have agreed with PRG that until such time as the Letter of Intent has terminated either by execution of a definitive agreement or mutual consent or April 30, 2015, we shall not initiate, solicit or negotiate any proposal or offer from any person/group other than PRG to acquire all or any portion of our assets.

As of the date of this Quarterly Report, we anticipate presenting the Transaction to our shareholders for approval.

Table of Contents 13

CURRENT PRODUCTS AND SERVICES

We have three main products, namely the concealed weapons detection system, the visual first responder system and the Viewmaxx digital video system. With regards to the three products as described below, revenue is considered earned when the product is shipped to the customer, installed (if necessary) and accepted by the customer as a completed sale. The concealed weapons detection 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 and acceptance by the customer. 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. Customers can purchase extended warranties, which provide for replacement or repair of the unit beyond the period provided by the unconditional warranty. Warranties can be purchased for various periods but generally they are for one year period that begins after any other warranties expire. See "Item 7. Management's Discussion and Analysis

Our current principal products and services include:

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, driver’s 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

3D Facial Recognition Technology - Animetrics Inc.

On August 9, 2012, we entered into a partnership with Animetrics Inc. ("Animetrics"), a leading developer of advanced 3D facial recognition and identify management solutions (the "Animetrics Agreement"). In accordance with the terms and provisions of the Animetrics Agreement, we will integrate Animetrics' next-generation 3D facial recognition technology into its concealed weapons detection systems used for security screening at correctional facilities, stadiums, courthouses, schools and other public facilities. Our ViewScan Concealed Weapons Detector is a walk-through portal which uses advanced magnetics technology to accurately pinpoint threat objects on a visual image of the subject. The system is sensitive enough to locate items such as hidden razor blades and cellular phones but will ignore common objects such as coins, keys and belt buckles. The initial objective is to integrate Animetrics' facial identify management software, the FaceR identity management solution (FIMS) onto our ViewScan, incorporating next generation facial recognition and investigative face biometric capabilities into the weapons detection and identification system. We also plan to utilize Animetrics' cloud-based FaceR FIMS and its suite of FaceR facial biometric identify and screening applications, including FaceR Mobile ID, FaceR Credential Me and ForensicaGPS across its entire portfolio of security and surveillance systems and applications.

The FIMS is deployed either via Web server or in a clod-based architecture system. Both configurations provide centralized and scalable management of highly distributed :one-to-many" identity searched in the field. FIMS utilized

Animetrics' FACEngine biometric facial recognition technology that converts 2D images to accurate 3D geometrics for enhanced biometric templates. FIMS makes these 3D facial "signatures" for identification purposes available to credentialized users via any mobile or fixed digital device with internet connectivity. This powerful combination with the ViewScan delivers most advanced facial-recognition and comparison technology to personnel in the field providing accurate and fast results.

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.

Table of Contents 15

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.

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

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.

RESULTS OF OPERATIONS

The following discussions are based on our consolidated financial statements, including our subsidiaries. These charts and discussions summarize our financial statements for the three months ended March 31, 2015 and March 31, 2014 and should be read in conjunction with the financial statements, and notes thereto, included with our most recent Form 10-K for fiscal year ended December 31, 2014.

SUMMARY COMPARISON OF OPERATING RESULTS*

	Three Month Period ended March 31	
	2015	2014

Revenues, net	$72,990	$ 90,273
Cost of sales	33,780	19,071
Gross profit (loss)	39,210	71,202
Total operating expenses	116,323	441,332
Profit (Loss) from operations	(77,113)	(370,130)
Total other income (expense)	(8,025)	(8,881)
Net income (loss)	(85,138)	(379,011)
Net income (loss) per share	$(0.00)	$ (0.00)

Three Month Period Ended March 31, 2015 Compared to Three Month Period Ended March 31, 2014.

Our net loss for the three month period ended March 31, 2015 was ($85,138) compared to a net loss of ($379,011) during the three month period ended March 31, 2014 (a decrease in net loss of $293,873). We generated net revenues of $72,990 during the three month period ended March 31, 2015 compared to $90,273 during the three month period ended March 31, 2014 (a decrease in net revenue of $17,283). During the three month period ended March 31, 2015, revenue consisted of: (i) $46,900 (2014: $33,200) in View Scan product sales and installation; (ii) $5,386 (2014: $14,142) in accessories; (iii) $16,189 (2014: $36,356) in extended warranties; and (iv) $4,515 (2014: $6,575) in installation and training.

Revenue is generally considered earned when the product is shipped to the customer. The 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.

We have experienced a decrease in revenue generally from extended warranties which resulted in decreased revenues for the three month period ended March 31, 2015 compared to the three month period ended March 31, 2014. The decline in decreased revenues was due to a decline in the number of existing warranties associated with a decline in the demand for our security products.

Cost of goods sold increased during the three month period ended March 31, 2015 to $33,780 from $19,071 incurred during the three month period ended March 31, 2014 resulting in a gross profit of $39,210 for the three month period ended March 31, 2015 compared to a gross profit of $71,202 for the three month period ended March 31, 2014. During the three month period ended March 31, 2015, the prevailing trend of increasing cost of goods sold was due to an increase in associated costs related to the components of our security-related products, which is based on general overall economic factors. The gross profit percentage on our non-warranty revenue, which is a measurement of gross profit as a percent of sales of products, installations and related revenue, decreased during the three month period ended March 31, 2015 as compared to the three month period ended March 31, 2014.

During the three month period ended March 31, 2015, we incurred operating expenses of $116,323 compared to $441,332 incurred during the three month period ended March 31, 2014 (a decrease of $325,009). These operating expenses incurred during the three month period ended March 31, 2015 consisted of: (i) general and administrative of $32,504 (2014: $60,576); (ii) professional fees of $30,040 (2014: $280,737); and (iii) salaries and benefits of $53,779 (2014: $100,019).

During the three month period ended March 31, 2015, our general and administrative expenses generally consisted of: (i) bank service charges of $376 (2014: $554); (ii) contractual temporary labor of $5,160 (2014: $2,415); (iii) filing and service fees of $2,527 (2014: $2,131); (iv) advertising and promotion of $570 (2014: $2,167); (v) postage and delivery of $2,203 (2014: $5,040); (vi) rent of $10,648 (2014: $10,477); (vi) supplies of $1,155 (2014: $4,052); (vii) telephone of $2,529 (2014: $2,181); (viii) travel $4,995 (2014: $18,360); (ix) utilities of $1,722 (2014: $2,657); (x) depreciation of $250 (2014: $1,600); (xi) auto and truck of $15 (2014: $2,652); (xii) product development of $-0- (2014: $3,626); (xiii) dues and subscriptions of $172 (2014: $543); and (xiv) other of $181 (2014: $2,141).

During the three month period ended March 31, 2015, our professional fees consisted of: (i) accounting fees of $17,840 (2014: $33,324); (ii) engineering fees of $7,000 (2014: $79,000); (iii) legal fees of $5,200 (2014: $800); (iv) investor relations fees of $-0- (2014: $2,500); (v) management and operations $-0- (2014: $50,000); (vi) marketing and promotion $-0- (2014: $113,704); and (vii) programming of $-0- (2014: $1,409).

Operating expenses incurred during the three month period ended March 31, 2015 substantially decreased compared to the three month period ended March 31, 2014 primarily due to a decrease in professional fees of $250,697, a decrease in general and administrative of $28,072, and a decrease in salaries and benefits of $46,240.

Our loss from operations during the three month period ended March 31, 2015 was ($77,113) compared to a loss from operations of ($370,130) during the three month period ended March 31, 2014.

During the three month period ended March 31, 2015, we incurred other expense in the form of interest expense of $8,025 (2014: $8,881).

After deducting other expense, we realized a net loss of ($85,138) or ($0.00) per share for the three month period ended March 31, 2015 compared to a net loss of ($379,011) or ($0.00) per share for the three month period ended March 31, 2014. The weighted average number of shares outstanding was 285,038,859 for the three month period ended March 31, 2015 compared to 244,557,551 for the three month period ended March 31, 2014.

Table of Contents 17

LIQUIDITY AND CAPITAL RESOURCES

Three Month Period Ended March 31, 2015

As of March 31, 2015, our current assets were $71,867 and our current liabilities were $1,672,164, which resulted in a working capital deficit of $1,600,297. As of March 31, 2015, current assets were comprised of: (i) $11,589 in cash; (ii) $59,190 in accounts receivable; and (iii) $1,088 in inventory. As of March 31, 2015, current liabilities were comprised of: (i) $520,215 in accounts payable and accrued expenses; (ii) $30,265 in deferred compensation; (iii) $174,754 in accrued and withheld payroll taxes payable; (iv) $73,125 in accrued interest payable; (v) $225,000 in accrued royalties payable; (vi) $495,554 in loans from stockholders; (vii) $80,121 in notes payable; and (viii) $73,130 in deferred revenue.

As of March 31, 2015, our total assets were $78,411 comprised of: (i) $71,867 in current assets; (ii) property and equipment (net) of $3,672; and (iii) $2,872 in deposits. The increase in total assets during the three month period ended March 31, 2015 from fiscal year ended December 31, 2014 was primarily due to the increase in accounts receivable.

As of March 31, 2015, our total liabilities were $1,675,870 comprised of: (i) $1,672,164 in current liabilities; and (ii) $3,706 in long term portion of notes payable. The increase in liabilities during the three month period ended March 31, 2015 from fiscal year ended December 31, 2014 was primarily due to the increase in loans from stockholders and accounts payable and accrued expenses.

Stockholders' deficit increased from ($1,512,321) for fiscal year ended December 31, 2014 to ($1,597,459) for the three month period ended March 31, 2015.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the three month period ended March 31, 2015, net cash flows used in operating activities was ($56,875) compared to net cash flows used in operating activities of ($81,945) for the three month period ended March 31, 2014. Net cash flows used in operating activities consisted primarily of a net loss of $85,138 (2014: $379,011), which was partially adjusted by: (i) $250 (2014: $1,600) in depreciation; (ii) $-0- (2014: $80,389) in common stock issued in payment of services; and (iii) $519 (2014: $1,321) in interest expense paid with debt.

Net cash flows used in operating activities was further changed in operating assets and liabilities by: (i) an increase in accounts receivable of $32,445 (2014: $20,726); and (ii) a decrease of $-0- (2014: $13,155) in inventories.

Net cash flows used in operating activities was further changed in cash by: (i) an increase in accounts payable and accrued expenses of $22,428 (2014: ($146,886); (ii) an increase in deferred compensation of $29,700 (2014: $56,205); (iii) an increase in accrued interest of $7,500 (2014: $7,500); (iv) an increase in payroll taxes accrued and withheld of $349) (2014: ($2,959)); and (v) a decrease in deferred revenue of ($38) (2014: $13,695).

Cash Flows from Investing Activities

For the three month period ended March 31, 2015 and March 31, 2014, net cash flows used in investing activities was $-0- .

Cash Flows from Financing Activities

We have financed our operations primarily from debt or the issuance of equity instruments. For the three month period ended March 31, 2015, net cash flows provided from financing activities was $55,387 compared to $41,968 for the three month period ended March 31, 2014. Cash flows from financing activities for the three month period ended March 31, 2015 consisted of: (i) $-0- (2014: $25,000) in proceeds from sales of common stock; and (ii) $62,742 (2014: $29,040); which was offset by $7,355 (2014: $12,072) in principal payments on notes payable.

PLAN OF OPERATION AND FUNDING

We have incurred losses for the past two fiscal years and had a net loss of $85,138 at March 31, 2015 and $379,011 at March 31, 2014. Our revenues from several product sales have been decreasing and some others increasing but are not sufficient to cover all of our operating expenses. Management believe that there is substantial doubt that we can continue as a going concern. We are continuing to push sales and control costs.

Management intends to finance our 2015 operations primarily with the revenue from product sales and any cash short falls will be addressed through equity or debt 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 in equity financing during the next 12 months to satisfy our cash requirements of approximately $100,000 per month for operations and to facilitate our business plan.

These operating costs include cost of sales, general and administrative expenses, salaries and benefits and professional fees related to contracting engineers. We have insufficient financing commitments in place to meet our expected cash requirements for 2015 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 2015, then we may be required to reduce our expenses and scale back our operations.

Going Concern

If the market price of our common stock falls below the fixed price of our registered stock offering, as in prior years we may again have insufficient financing commitments in place to meet our expected cash requirements for 2014. 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 2015, then we may be required to reduce our expenses and scale back our operations. These factors raise substantial doubt of our ability to continue as a going concern. Footnote 2 to our financial statements provides additional explanation of Management’s views on our status as a going concern. The audited financial statements contained in this Quarterly Report do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result should we be unable to continue as a going concern.

Our independent registered public accounting firm included an explanatory paragraph December 31, 2014, in their reports on the accompanying financial statements for December 31, 2014 regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

COMMITMENTS AND CONTINGENT LIABILITIES

We lease 3,600 sq. ft. of office and warehouse space at 1550 Caton Center Drive, Suites D and E, Baltimore, Maryland. The base rent had been $3,077 per month with an annual rent escalator of 3%. Under the current renewal the current monthly lease payment is $3,464.

Our total current liabilities increased to $1,672,164 at three month period ended March 31, 2015 compared to $1,549,964 at fiscal year ended December 31, 2014. As of March 31, 2015, our short and long term notes payable consist of the following:

Lafayette Community Bank		
A term loan secured by a stockholder, payable in monthly installments of $2,587 commencing in December 25, 2009 but refinanced in May 2011. The loan is due in full on May 18, 2016 and interest accrues monthly at 5.0% per annum.	$ 33,827	$ 41,182
Stockholder		
Demand loan payable with interest at 5% per month dated September 18, 2009. The loan is secured by the Company's accounts receivable. The note was payable in full on December 17, 2009 and is currently in default	50,000	50,000

OFF BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide this information.

CRITICAL ACCOUNTING POLICIES

We have 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, installed (if necessary) and accepted by the customer as a completed sale. The concealed weapons detection 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 and acceptance by the customer. 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. Customers can purchase extended warranties, which provide for replacement or repair of the unit beyond the period provided by the unconditional warranty. Warranties can be purchased for various periods but generally they are for one year period that begins after any other warranties expire. The revenue from warranties is recognized on a straight line bases over the period covered by the warranty. Prior to the issuance of financial statements management reviews any returns subsequent to the end of the accounting period which are from sales recognized during the accounting period, and makes appropriate adjustments as necessary. Product prices are fixed or determinable and products are only shipped when collectability is reasonably assured.

Going Concern Opinion

You should carefully consider the risks, uncertainties and other factors identified below because they could materially and adversely affect our business, financial condition, operating results and prospects and could negatively affect the market price of our Common Stock. Also, you should be aware that the risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we do not yet know of, or that we currently believe are immaterial, may also impair our business operations and financial results. Our business, financial condition or results of operations could be harmed by any of these risks. The trading price of our Common Stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks you should also refer to the information contained in or incorporated by reference to our Form 10-K for the year ended December 31, 2014, including our financial statements and the related notes thereto.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer/Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of March 31, 2015. Based on such evaluation, we have concluded that, as of such date, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer/Principal Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

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

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

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

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2014. 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 (COSO) (2013) in *Internal-Control-Integrated Framework* and implemented a process to monitor and assess both the design and operating effectiveness of our internal controls. Based on this assessment, management believes that as of March 31, 2015, our internal control over financial reporting was not effective.

We have instituted a remediation plan which involves reeducating our management, the accounting staff, and the administrative staff as to the elements of a completed sale. We increased the oversight of the process by increasing the frequency of involvement of outside accounting consultants. Internal systems are being put into place to track and document significant dates, such as delivery, installation and customer acceptance. In addition, the bookkeeping system has been modified so that all sales of extended warranties are automatically recorded as deferred revenue and that the amount of revenue that is ultimately recognized as warranty revenue is as the result of an analysis of the significant aspects of the warranty such as coverage and period.

Table of Contents 21

Changes in Internal Control Over Financial Reporting

Our management has evaluated, with the participation of our Chief Executive Officer/Chief Financial Officer, changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the first quarter of 2015. In connection with such evaluation, there have been no changes to our internal control over financial reporting that occurred since the beginning of our first quarter of 2014 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. While there have been no changes, we have assessed our internal controls as being ineffective and will be taking steps during 2015 to remedy such deficiencies.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

We issued 24,250,000 shares of unregistered common stock as follows:

During April 2015, we authorized the issuance of 3,250,000 shares of our restricted common stock to an unrelated third party for services rendered at a per share price of $0.01. The 3,250,000 shares were issued in a private transaction to one United States resident in reliance on Rule 506 of Regulation D promulgated under the Securities Act. The shares of common stock have not been registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the United States Securities and Exchange Commission or an applicable exemption from the registration requirements. The consultant acknowledged that the securities to be issued have not been registered under the Securities Act, that he understood the economic risk of an investment in the securities, and that he had the opportunity to ask questions of and receive answers from our management concerning any and all matters related to acquisition of the securities.

During April 2015, we issued a further 21,000,000 shares of our restricted common stock to John Holmes on the basis of his conversion of the 1,400,000 shares of Series A preferred stock previously held of record. The conversion ratio of the Series A preferred stock is 15 shares of common stock for one preferred share. The 21,000,000 shares were issued in a private transaction to John Holmes under Section 4(2) of the Securities Act. The shares of common stock have not been registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the United States Securities and Exchange Commission or an applicable exemption from the registration requirements. Mr. Holmes acknowledged that the securities to be issued have not been registered under the Securities Act, that he understood the economic risk of an investment in the securities, and that he had the opportunity to ask questions of and receive answers from our management concerning any and all matters related to acquisition of the securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None

Table of Contents 22

ITEM 5. OTHER INFORMATION

DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS

Effective on April 16, 2015, our Board of Directors accepted the resignation from Reid R. Miles as a member of the Board of Directors. Mr. Miles has not expressed any disagreement with us on any matter relating to our operations, policies or practices. Therefore, as of the date of this Quarterly Report, the Board of Directors consists of the following members: Gunther Than, Michael L. Bagnoli and Martin Maassen.

ITEM 6. EXHIBITS

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

10.1	View Systems, Inc. 2010 Equity Incentive Plan (Incorporated by reference to exhibit 10.1 to Form 10-Q filed May 14, 2010)
10.2	View Systems, Inc. 2010 Service Provider Stock Compensation Plan (Incorporated by reference to exhibit 10.4 to Form 10-Q filed August 19, 2010)
10.3	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)
10.4	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)
10.3	Purchase Agreement, dated June 1, 2012 (Incorporated by reference to exhibit 10.1 to Form 8-K, filed July 3, 2012)
10.4	Amendment to Purchase Agreement, dated June 28, 2012 (Incorporated by reference to exhibit 10.2 to Form 8-K, filed July 3, 2012)
21.1	List of Subsidiaries*
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

Table of Contents 23

SIGNATURES

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

VIEW SYSTEMS, INC.

Date: May 19, 2015 By:*/s/ Gunther Than*
Gunther Than
Chief Executive Officer

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

Table of Contents 24