VIEW SYSTEMS INC
Form 10KSB/A
June 22, 2001

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

# FORM 10-KSB/A

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

For the fiscal year ended DECEMBER 31, 2000

OR

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

For the transition period from ___________ to __________

Commission file number: __________

View Systems, Inc.
(Name of Small Business Issuer in Its Charter)

| | |
|---|---|
| Florida | 59-2928366 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No |
| 925 West Kenyon Avenue, Englewood, Colorado | 80110 |
| (Address of principal executive offices) | (Zip Code) |

(303)783-9153
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.001 par value.
(Title of class)

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 the filing requirements for the past 90 days.

Yes ___X___ No _______

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The Registrant's revenue for the fiscal year ended December 31, 2000 was $661,789.

As of March 29, 2001, 12,322,620 shares of the registrant's Common Stock were outstanding and the aggregate market value of such Common Stock held by non-affiliates was approximately $6,531,000 based on the closing price of $.53 per share on that date.

This 10-KSB/A is being filed by View Systems, Inc. (the "Company") to amend Paragraph 5 of Note 1 of the Notes to the Financial Statements of the Company.

Index To Financial Statements
View Systems, Inc



Index To Financial Statements
Eastern Tech Manufacturing Corp.

Index To Financial Statements
Xyros Systems, Inc





The Board of Directors and Stockholders
View Systems Inc.
Columbia, Maryland

We have audited the accompanying consolidated balance sheet of View Systems Inc. and Subsidiaries (the Company) as of December 31, 2000 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2000 and 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the accompanying consolidated balance sheet as of December 31, 2000 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2000 and 1999 present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/S/ Stegman & Company
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Stegman & Company

Baltimore, Maryland
March 15, 2001



VIEW SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2000
ASSETS

| | |
|---|---|
| CURRENT ASSETS: | |
| Cash | $ 265,245 |
| Accounts receivable (net) | 155,017 |
| Inventory | 95,339 |
| Total current assets | 515,601 |
| PROPERTY AND EQUIPMENT: | |
| Equipment | 323,766 |
| Leasehold improvements | 20,261 |
| Software tools | 15,071 |
| Vehicles | 43,772 |
| | 402,870 |
| Less accumulated depreciation | 79,814 |
| Net value of property and equipment | 323,056 |
| OTHER ASSETS: | |
| Goodwill | 894,383 |
| Investments | 28,000 |

| | |
|---|---|
| Due from affiliated entities | 105,552 |
| Due from affiliate | 20,000 |
| Deposits | 832 |
| Total other assets | 1,048,767 |
| TOTAL ASSETS | $1,887,424 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|---|
| CURRENT LIABILITIES: | |
| Accounts payable | $ 401,247 |
| Note payable - bank | 42,083 |
| Accrued interest | 22,000 |
| Notes payable - other | 110,000 |
| Due to Stockholder | 2,090 |
| Payroll liabilities | 31,951 |
| Total current liabilities | 609,371 |
| STOCKHOLDERS' EQUITY: | |
| Common stock - par value $.01, 50,000,000 shares authorized, Issued and outstanding - 11,481,031 shares | 11,481 |
| Additional paid-in capital | 7,364,502 |
| Accumulated deficit | (6,097,930) |
| Total stockholders' equity | 1,278,053 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $1,887,424 |

See accompanying notes



VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 |
|---|---|
| REVENUE: | |
| Sales of contract assembly services | $ 319,376 |
| Sales of assembled electronic components | 342,413 |
| Total sales | 661,789 |
| Cost of goods sold | 436,310 |

| | |
|---|---|
| GROSS PROFIT ON SALES | 225,479 |
| OPERATING EXPENSES: | |
| Advertising and promotion | 20,931 |
| Amortization | 113,135 |
| Bad debts | 14,010 |
| Business development expense | 133,393 |
| Contributions | 10,347 |
| Depreciation | 44,765 |
| Dues and subscriptions | 2,573 |
| Employee compensation and benefits | 794,166 |
| Impairment loss of goodwill and other intangible assets | - |
| Insurance | 21,088 |
| Interest | 23,338 |
| Investor relations | 392,136 |
| Miscellaneous expenses | 13,692 |
| Office expenses | 94,846 |
| Professional fees | 359,131 |
| Rent | 121,951 |
| Repairs and maintenance | 9,148 |
| Research and development | 132,300 |
| Taxes (other than income) | 5,249 |
| Telephone | 35,807 |
| Travel | 72,851 |
| Utilities | 14,904 |
| Total operating expenses | 2,429,761 |
| NET LOSS FOR THE YEAR | $(2,204,282) |
| LOSS PER SHARE: | |
| Basic | $( 0.19) |
| Diluted | $( 0.19) |

See accompanying notes



VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

| | Common Stock | Additional Paid-In Capital | Accumulated Deficit |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Balances at January 1, 1999 | $ 4,167 | $ 406,253 | $( 222,752) |
| Sale of common stock | 952 | 1,425,377 | - |
| Redemption of common stock | ( 191) | ( 396,590) | - |
| Issuance of common stock employee (other compensation) | 1,469 | 2,145,864 | - |
| Issuance of common stock (Xyros acquisitions) | 150 | 562,350 | - |
| Issuance of common stock (ETMC acquisitions) | 250 | 787,250 | - |
| Issuance of common stock (debt conversion) | 370 | 403,838 | - |
| Net loss for the year ended December 31, 1999 | - | - | (3,670,896) |
| Balances at December 31, 1999 | 7,167 | 5,334,342 | (3,893,648) |
| Sales of common stock | 2,843 | 1,448,097 | - |
| Stock options exercised | 88 | 894 | - |
| Issuance of common stock (employee and other compensation) | 1,383 | 581,169 | - |
| Net loss for the year ended December 31, 2000 | - | - | (2,204,282) |
| Balances at December 31, 2000 | $ 11,481 | $7,364,502 | $(6,097,930) |

See accompanying notes



VIEW SYSTEMS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 | 1 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(2,204,282) | $( 3, |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 157 ,900 | |
| Improvement loss of goodwill and other intangible assets | - | |

| | | |
|---|---|---|
| Employee and other compensation paid through the issuance of common stock | 582,552 | 2, |
| Employee compensation related to stock options granted | - | |
| Interest paid through issuance of common stock | - | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | ( 61,739) | ( |
| Inventory | 45,874 | ( |
| Other assets | 6,175 | ( |
| Accounts payable | 227,141 | |
| Accrued interest | 11,000 | |
| Payroll taxes payable | 12,788 | |
| Net cash used by operating activities | ( 1,222,591) | ( 1, |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | ( 67,479) | ( |
| Funds advanced to affiliated entities | ( 14,562) | ( |
| Investment in MediaComm Broadcasting Systems, Inc. | ( - ) | ( |
| Net cash used in investing activities | ( 82,041) | ( |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from loans provided by stockholders | 56,452 | |
| Repayment of note payable-bank | ( 27,647) | ( |
| Proceeds from sales of stock | 1,451,922 | 1, |
| Net cash provided by financing activities | 1,480,727 | 1, |
| NET INCREASE( DECREASE) IN CASH | 176,095 | ( |
| CASH AT BEGINNING OF YEAR | 89,150 | |
| CASH AT END OF YEAR | $ 265,245 | $ |

See accompanying notes



VIEW SYSTEMS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(Continued)

| | 2000 | |
|---|---|---|
| Schedule of noncash investing and financing transactions: | | |
| Common stock issued to effect purchase of Eastern Tech Manufacturing, Inc. | $ - | $ 78 |
| Debt issued to effect purchase of Eastern Tech Manufacturing, Inc. | $ - | $ 14 |
| Common stock issued for to effect purchase of Xyros Systems, Inc. | $ - | $ 56 |
| Common stock issued for conversion of debt | $ - | $ 40 |
| Common stock redeemed in exchange for receivable | $ - | $ 39 |
| Cash paid during the period for: | | |
| Interest | $ 12,338 | $ 4 |
| Income taxes | $ - | $ |



VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

View Systems, Inc. (the "Company") designs and develops computer software and hardware used in conjunction with surveillance capabilities. The technology utilizes the compression and decompression of digital inputs. Operations, from formation to June 30, 1999, were devoted primarily to raising capital, developing the technology, promotion, and administrative function. As of July 1, 1999 the Company was no longer considered to be in the development stage.

Basis of Consolidation

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

Use of Estimates

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

Revenue Recognition

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

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

Inventories

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





Property and Equipment

Property and equipment is recorded at cost and depreciated over their estimated useful lives, using the straight-line and accelerated depreciation methods. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. The useful lives of property and equipment for purposes 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 years ended December 31, 2000 and 1999 amounted to $44,765 and $29,856 respectively.

Impairment of Long-Lived Assets

Long-lived assets and identifiable intangibles (including goodwill) to be held and used are reviewed for Impairment whenever events or changes in circumstances indicate that the carrying amount should be addressed. Impairment is measured by comparing the carrying value to the estimated undiscounted future cash flows expected to result from use of the assets and their eventual disposition.

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 years ended December 31, 2000 and 1999 were $20,931 and $23,256, 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.

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VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Financial Instruments

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

Net Loss Per Common Share

Basic net loss per common share ("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 years ended December 31, 2000 and 1999 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 for the years ended December 31, 2000 and 1999.

2. FINANCIAL CONDITION AND MANAGEMENT'S PLAN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which contemplates continuation of the Company as a going-concern. However, the Company has sustained significant operating losses in the past two years. In addition, the Company has used substantial amounts of working capital in its operations. As of December 31, 2000 and for the year then ended, the Company had an accumulated deficit of $6.1 million and a net loss of $2.2 million. Further, as of December 31, 2000 current liabilities exceed current assets by $93,770. There can be no assurance that the Company will be able to generate sufficient revenues to achieve or sustain profitability in the future.

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the ability to meet it financing requirements, and the success of its future operations. Management has undertaken a vigorous effort to reduce both cost of sales and other operating expenses. Additionally, management is attempting to raise additional funds through the exercise of outstanding common stock warrants. Management believes the actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern.

3. BUSINESS COMBINATIONS

On February 25, 1999, the Company acquired Xyros Systems Inc. of Columbia, Maryland, a developer of computer based systems and equipment that captures video and audio data and transmits and stores it within standard personal computer systems. Under the terms of the merger agreement, each of the 100 shares of Xyros's common stock was exchanged for 1,500 shares of the Company's common stock. This acquisition was accounted for as a purchase.





In May of 1999, the Company completed its acquisition of ETMC, a computer parts and accessories manufacturer. The business combination was accounted for as a purchase in which each outstanding share of ETMC common stock was converted into the right to receive shares of the Company. At closing, the purchase price (as defined in the agreement and plan of merger) of $935,684 was paid by the issuance of 250,000 shares of common stock and the assumption of liabilities for both legal fees and a non-compete clause. The excess cost over net liabilities acquired of $495,344 was recorded as goodwill.

4. INVENTORY

Inventories at December 31, 2000 consisted of the following:

| | |
|---|---|
| Work in process | 43,835 |
| Raw materials | 51,504 |
| | $ 95,339 |

DUE FROM AFFILIATED ENTITY

The Company has advanced non-interest bearing funds of $105,552 as of December 31, 2000 to a related corporation, View Technologies, Inc. which is controlled by the Chief Executive Officer of the Company. There are no formal repayment terms associated with this advance. The two companies enter into various transactions throughout the year to provide working capital to one another when necessary.

5. DUE FROM AFFILIATE

The Company has advanced non-interest bearing funds to its Chief Executive Officer in the amount of $20,000 as of December 31, 2000. There are no repayment terms associated with this advance.

7. INVESTMENTS

The Company owns approximately 14% of the common stock of a privately held entity known as MediaComm Broadcasting Systems, Inc., which is a development stage company formed to generate revenue through internet retail sales. There is no market for the entity's common shares, and it was impracticable to estimate fair value of the Company's investment. The investment is carried on the balance sheet at original cost of $28,000 or $.03 a share.

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VIEW SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

8. INTANGIBLE ASSETS

In relation to the business combination with ETMC accounted for under the purchase method of accounting, the Company recorded goodwill in the amount of $495,344. This amount was based on the difference between the fair market value of the Company's stock at the acquisition date and the fair value of ETMC's net assets. During the fourth quarter of 1999, management conducted a thorough review of ETMC's operations, including customer base, current production capacity, and job order backlog. Based on this review, the Company recognized an impairment loss in the amount of $199,009. The remaining goodwill is being amortized over a 10 year period, beginning at the acquisition date.

In relation to the business combination with Xyros accounted for under the purchase method of accounting, the Company recorded goodwill in the amount $802,069. This amount was based on the difference between the fair market value of the Company's stock at the acquisition date and the fair market value of Xyros's net assets and is being amortized on a straight-line basis over a ten year period.

Software development costs of $47,146 relating to internal costs associated with a software product that the Company will not market were also written-off to expense during 1999.

9. NOTE PAYABLE - BANK

One of the Company's subsidiaries has a note payable with a bank having an outstanding balance of $42,083 as of December 31, 2000. The note bears interest equivalent to the prime rate plus 2% annum payable monthly and is personally guaranteed by three stockholders and former officers of the Company. The Company is obligated to make monthly principal payments of $5,000.

10. NOTE PAYABLE - OTHERS

In connection with the acquisition of Xyros, the Company assumed liabilities evidenced by notes payable to the stockholders of Xyros. The notes carry an annual interest rate of 10% with interest paid monthly. The notes were originally due December 31, 1999, but the Company has renegotiated the terms of the loan to allow for repayment as cash flow permits.

11. INCOME TAXES

The components of the net deferred tax asset and liability as of December 31, 2000 are as follows:

| | |
|---|---|
| Effect of net operating loss carryforward | $ 2,090,000 |
| Less valuation allowance | $( 2,090,000) |
| Net deferred tax asset (liability) | $ - |



VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

12. STOCK-BASED COMPENSATION

During the years ended December 31, 2000 and 1999 the Company granted restricted stock, incentive stock options, non-qualified stock options, and warrants to employees, officers, independent consultants and investors.

Restricted Stock Grants

The Company's Board of Directors and stockholders have approved a restricted share plan under which shares of the Company's common stock will be granted to employees, officers, and directors at the discretion of the Board of Directors. During 2000 and 1999 the Company issued the following shares under this Plan and additional shares at the direction of the Board of Directors:

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | Number of Shares | Expense Recognized | Number of Shares | Expe Recog |
| Officers and employees | 580,000 | $ 266,927 | 1,100,000 | $1,75 |
| Consultants | 803,000 | 156,125 | 369,000 | 39 |
| | 1,383,000 | $ 423,052 | 1,469,000 | $2,14 |

The recognition of expense was based on the fair market value of the common stock issued on the date of the grant.

Stock Options and Warrants

The Company adopted the 1999 Stock Option Plan during 1999. The Plan reserves 4,500,000 shares of the Company's unissued common stock for options. Options, which may be tax qualified and non-qualified, are exercisable for a period of up to ten years at prices at or above market price as established on the date of grant.



VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

A summary of the Company's stock option activity and related information for the years ended December 31, 2000 and 1999 is as follows:

| | 2000 | | |
|---|---|---|---|
| | Common Stock Options | Weighted Average Exercise Price | Ex |
| Outstanding at beginning of year | 504,860 | $1.56 | $ |
| Granted | - | - | |
| Exercised | (87,250) | .01 | |

| | | | |
|---|---|---|---|
| Expired/cancelled | (309,920) | 2.00 | |
| Outstanding at end of year | 107,690 | $1.63 | $ |

| | 1999 | | |
|---|---|---|---|
| | Common Stock Options | Weighted Average Exercise Price | |
| Outstanding at beginning of year | - | $ - | |
| Granted | 504,860 | 1.56 | |
| Exercised | - | - | |
| Expired/cancelled | ------- | - | |
| Outstanding at end of year | 504,860 | $1.56 | $0 |

All options issued are immediately exercisable.

The Company has issued warrants to purchase the Company's common stock as follows:

| | 2000 | | |
|---|---|---|---|
| | Common Stock Warrants | Weighted Average Exercise Price | E |
| Outstanding at beginning of year | 454,000 | $2.00 | |
| Granted | 3,200,000 | 1.85 | |
| Exercised | ( 665,000) | .50 | |
| Expired/cancelled | - | - | |
| Outstanding at end of year | 2,989,000 | $1.97 | |



VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 1999 | | |
|---|---|---|---|
| | Common Stock Warrants | Weighted Average Exercise Price | Range o Exercise P |

| | | | |
|---|---|---|---|
| Outstanding at beginning of year | - | $ - | $ - |
| Granted | 454,000 | 2.00 | 2.00 |
| Exercised | - | - | - |
| Expired/cancelled | - | - | - |
| Outstanding at end of year | 454,000 | $2.00 | $2.00 |

During January, 2001 the company cancelled 2,235,000 warrants with an exercise price of $2.00 per share due to non-performance of the warrant holder.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123; Accounting for Stock-Based Compensation (SFAS No. 123), but applies Accounting Principle Board Opinion No. 25 and related interpretations. The fair value of these equity awards was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 1999: risk-free interest rate of 5.97% - 6.09%; expected volatility of 70.0%; expected option life of 2 years from vesting and an expected dividend yield of 0.0%. If the Company had elected to recognize cost based on the fair value at the grant dates consistent with the method prescribed by SFAS No. 123, net loss and loss share would have been changed to the pro forma amounts for the year ended December 31, 1999 as follows:

| | |
|---|---|
| Net income - as reported | $ (3,670,896) |
| Net income - pro forma | (3,937,524) |
| Net income per share - as reported | $ (0.63) |
| Net income per share - pro forma | (0.68) |

There were no stock options granted during the year ended December 31, 2000.

## 13. RELATED PARTY TRANSACTIONS

During the year ended December 31, 1999 the Company redeemed 59,860 shares owed by the Chief Executive Officer for $50,000 in cash and the elimination of $67,719 due to the Chief Executive Officer for a total consideration for $117,719

During the year ended December 31, 1999 the Company converted a note payable and related accrued interest to a family member of the Chief Executive Officer in the amount of $200,000 to 200,000 share of the Company's common stock.



## 14. CONCENTRATION OF CREDIT RISK

The Company maintains a checking account in a commercial bank. Cash in this checking account at times exceeded $100,000. The checking account is insured by the Federal Deposit Insurance Corporation up to $100,000.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eastern Tech Manufacturing Corporation

We have audited the accompanying balance sheets of Eastern Tech Manufacturing Corporation as of June 30, 1998 and 1997 and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Tech Manufacturing Corporation as of June 30, 1998 and 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Davis, Sita & Company

September 8, 2001



## EASTERN TECH MANUFACTURING CORPORATION
## BALANCE SHEET
## JUNE 30, 1998 AND 1997

ASSETS

| | 1998 | 1997 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $8,970 | $6,538 |
| Accounts receivable | 33,138 | 71,590 |
| Prepaid expenses | 1,669 | - |
| Total current assets | 43,777 | 78,128 |

| | | |
|---|---|---|
| PROPERTY AND EQUIPMENT: | | |
| Equipment, at cost | 154,935 | 141,571 |
| Less accumulated depreciation | 83,879 | 81,970 |
| Cost less accumulated depreciation | 71,056 | 59,601 |
| TOTAL ASSETS | $114,833 | $137,729 |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $48,807 | $67,961 |
| Loans from stockholder | 42,953 | 42,953 |
| Total current liabilities | 91,760 | 110,914 |
| STOCKHOLDER'S EQUITY: | | |
| Common stock - par value $1.00 | | |
| 500 shares authorized, issued and outstanding | 500 | 500 |
| Retained earnings | 22,573 | 26,315 |
| Total stockholder's equity | 23,073 | 26,815 |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | $114,833 | $137,729 |

See Notes To Financial Statements

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EASTERN TECH MANUFACTURING CORPORATION
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

| | 1998 | |
|---|---|---|
| REVENUE: | | |
| Sales of assembled electronic components | $820,683 | $ |

| | |
|---|---|
| COST OF SALES: | |
| Material | 484,961 |
| Labor | 175,379 |
| Cost of sales | 660,340 |
| Gross profit | 160,343 |
| OPERATING EXPENSES: | |
| Salaries and benefits | 43,844 |
| Rent | 43,029 |
| Taxes (principally payroll) | 26,981 |
| Other operating expenses | 25,683 |
| Insurance | 22,639 |
| Depreciation | 1,909 |
| Total operating expenses | 164,085 |
| NET INCOME (LOSS) FOR THE YEAR | (3,742) |
| RETAINED EARNINGS, BEGINNING OF YEAR | 26,315 |
| RETAINED EARNINGS, END OF YEAR | $22,573 |

See Notes To Financial Statements



EASTERN TECH MANUFACTURING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

| | 1998 |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net income (loss) | $(3,742) |

| | |
|---|---|
| Adjustments to reconcile net income to net cast provided by operating activities: | |
| Depreciation | 1,909 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 38,452 |
| Prepaid expenses | (1,669) |
| Accounts payable | (19,154) |
| Net cash provided by (used in) operating activities | 15,796 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of property and equipment | (13,364) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Funds advanced (to) from stockholders | - |
| NET INCREASE (DECREASE) IN CASH | 2,432 |
| CASH AT BEGINNING OF PERIOD | 6,538 |
| CASH AT END OF PERIOD | $8,970 |

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EASTERN TECH MANUFACTURING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Eastern Tech Manufacturing Corporation (The "Company") is a Maryland corporation organized in May 1985. The Company is engaged in the business of assembling electronic components under various short-term, task oriented contracts and purchase orders.

Method of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting. Under this method, certain revenues are recognized when earned, and certain expense and purchases of assets are recognized when the obligations if incurred.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition
The Company recognizes revenue and the related cost of goods sold upon shipment of the product.

Accounts Receivable
Management reflects as accounts receivable only those accounts which it considers to be collectable. Uncollectable accounts are written off when collection is in doubt.

Property and Equipment
Property and equipment are stated at cost. Depreciation is computed under accelerated methods with useful lives ranging from 5 to 7 years. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

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.

Income Taxes
The Company is subject to Federal and state corporate income taxes on its net taxable income. As of June 30, 1998 the Company owed no Federal or state income taxes.

NOTE 2 - LOANS FROM STOCKHOLDER
At June 30, 1998 and 1997, the Company had borrowed $42,953 from its principal stockholder. The loans are unsecured and payable on demand. There is no provision for interest.

NOTE 3 - RELATED PARTY TRANSACTIONS
The Company leased its office and manufacturing facility from its principal stockholder under a month-to-month arrangement. Rent paid to the stockholder amounted to $43,029 for the year ended June 30, 1998 and $101,015 for the year ended June 30, 1997.



NOTE 4 - SUBSEQUENT EVENT
During May 1999 all of the Company's outstanding common stock was purchased by View Systems, Inc. for $935,684. The purchase price was paid for with 250,000 shares of View's common stock. The transaction also included the assumption of various liabilities and legal fees by View as well as a non-compete clause.



EASTERN TECH MANUFACTURING CORPORATION
BALANCE SHEET
MARCH 31, 1999
(UNAUDITED)

ASSETS

| | |
|---|---|
| CURRENT ASSETS: | |
| Cash | $9,537 |
| Accounts receivable | 35,261 |
| Inventory | 30,210 |
| Total current assets | 75,008 |
| PROPERTY AND EQUIPMENT: | |
| Equipment, at cost | 154,935 |
| Less accumulated depreciation | 86,874 |
| Net value of equipment | 68,061 |
| TOTAL ASSETS | $143,069 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | |
| CURRENT LIABILITIES: | |
| Accounts payable | $15,076 |
| Loans from stockholder | 101,816 |
| Other accrued liabilities | 3,350 |
| Total current liabilities | 120,242 |
| STOCKHOLDER'S EQUITY | |
| Common Stock - par value $1. 00, 1000 shares authorized, 100 shares issued and outstanding | 500 |
| Retained earnings | 22,327 |
| Total stockholder's equity | 22,827 |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | $143,069 |



EASTERN TECH MANUFACTURING CORPORATION
STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED MARCH 31, 1999 AND 1998
(UNAUDITED)

| | 1999 | |
|---|---|---|
| | (unaudited) | ( |
| REVENUE: | | |

| | |
|---|---|
| Sales of assembled electronic components | $716,250 |
| COST OF SALES: | |
| Material | 423,089 |
| Labor | 197,651 |
| Cost of sales | 620,740 |
| Gross profit | 95,510 |
| OPERATING EXPENSES: | |
| Salaries and benefits | 20,977 |
| Rent | 28,000 |
| Payroll and other taxes | 20,236 |
| Other operating expenses | 26,543 |
| Total operating expenses | 95,756 |
| NET LOSS | (246) |
| RETAINED EARNINGS AT BEGINNING OF PERIOD | 22,573 |
| RETAINED EARNINGS AT END OF PERIOD | $22,327 |



EASTERN TECH MANUFACTURING CORPORATION
STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED MARCH 31, 1999 AND 1998
(UNAUDITED)

| | 1999 (unaudited) |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net Loss | $(246) |
| Adjustments to reconcile net (loss) income to net cash Provided by operating activities: | |
| Depreciation | 2,995 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (2,123) |
| Inventory | (30,210) |
| Prepaid expenses | 1,669 |
| Accounts payable | (33,731) |

| | |
|---|---|
| Other accrued liabilities | 3,350 |
| | (58,296) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of property and equipment | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Funds advanced (to) from stockholder | 58,863 |
| NET INCREASE (DECREASE) IN CASH | 567 |
| CASH AT BEGINNING OF PERIOD | 8,970 |
| CASH AT END OF PERIOD | $9,537 |

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To the Board of Directors and Stockholders Xyros Systems, Inc.
Columbia, Maryland

We have audited the accompanying balance sheet of Xyros Systems, Inc. as December 31, 1998 and the related statements of operations and accumulated deficit and cash flows for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xyros Systems, Inc. as December 31, 1998, and the results of its operations and cash flows for the years ended December 31, 1998 and 1997 in conformity with generally accepted accounting principles.

Stegman & Company
Baltimore, Maryland
July 20, 2001

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XYROS SYSTEMS, INC.
BALANCE SHEET
DECEMBER 31, 1998

| | |
|---|---|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash | $ 1,946 |
| Accounts receivable | 13,599 |
| Inventory | 4,574 |
| Total current assets | 20,119 |
| PROPERTY AND EQUIPMENT: | |
| Computer hardware | 1,666 |
| Software | 2,438 |
| | 4,104 |
| Less accumulated depreciation | (821) |
| Net value of property and equipment | 3,283 |
| TOTAL ASSETS | $ 23,402 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT LIABILITIES: | |
| Accounts payable | 6,298 |
| Note payable - bank | 65,000 |
| Notes payable - stockholders | 155,000 |
| Other accrued liabilities | 2,915 |
| Total current liabilities | 229,213 |
| STOCKHOLDERS' EQUITY | |
| Common Stock - par value $1.00, 1000 shares authorized, 100 shares issued and outstanding | 100 |
| Accumulated deficit | (205,911) |
| Total stockholders' equity | (205,811) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 23,402 |

See accompanying notes



XYROS SYSTEMS, INC.
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

| | 1998 | 1997 |
|---|---|---|
| REVENUE: | | |
| Sales and other income | $31,438 | $- |
| Cost of goods sold | 20,891 | -- |
| GROSS PROFIT ON SALES | 10,547 | -- |
| OPERATING EXPENSES: | | |
| Advertising and promotion | 2,819 | -- |
| Depreciation | 821 | -- |
| Employee compensation and benefits | 90,008 | -- |
| Insurance | 826 | -- |
| Interest | 9,837 | -- |
| Office expenses | 16,426 | 2,147 |
| Professional fees | 1,529 | 9,717 |
| Rent | 35,879 | -- |
| Research and development expenses | 22,077 | 16,387 |
| Utilities | 3,921 | -- |
| Travel | 2,424 | 1,640 |
| Total operating expenses | 186,567 | 29,891 |
| NET LOSS | (176,020) | (29,891) |
| ACCUMULATED DEFICIT AT BEGINNING OF YEAR | (29,891) | -- |
| ACCUMULATED DEFICIT AT END OF YEAR | $(205,911) | $(29,891) |
| BASIC NET LOSS PER SHARE | $(1,760.20) | $(29,891) |

See accompanying notes

XYROS SYSTEMS, INC.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 1998 AND 1997

| | 1998 |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | $(176,020) |
| Adjustments to reconcile net loss to net cash used by operating activities - Depreciation | 821 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (13,599) |
| Inventory | (4,574) |
| Accounts payable | 6,289 |
| Other accrued liabilities | 3,024 |
| Net cash used by operating activities | (184,059) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of property and equipment | (4,104) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Proceeds from bank note payable | 65,000 |
| Proceeds from stockholder notes payable | 125,000 |
| Net cash provided by financing activities | 190,000 |
| NET DECREASE IN CASH | 1,837 |
| CASH AT BEGINNING OF YEAR | 109 |
| CASH AT END OF YEAR | $1,946 |

See accompanying notes.



XYROS SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Xyros Systems, Inc. (the "Company") was incorporated in the State of Maryland on July 27, 1997. The Company designs and develops products which permit remote monitoring and storage of video.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 recognizes revenue and the related cost of goods sold upon shipment of the product.

Inventories

Inventories consist of parts and other materials and are stated at the lower of cost or market. Cost is determined by the first-in first-out method.

Property and Equipment

Property and equipment is recorded at cost and depreciated over their useful lives, using the straight- line method. 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 is 5 years.

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 carry-forwards. Valuation allowances are recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.



2. NOTE PAYABLE - BANK

The Company has a demand note payable with a commercial bank having an outstanding balance of $65,000 at December 31, 1998. The note bears interest equivalent to the prime rate plus 2% per annum payable monthly and is personally guaranteed by the Company's stockholders.

3. NOTES PAYABLE - STOCKHOLDERS

The Company has notes payable with its stockholders in the aggregate amount of $155,000 as of December 31, 1998. The notes carry an annual interest rate of 10% with interest payable monthly and are due December 31, 1999.

4. INCOME TAXES

The components of the deferred income taxes as of December 31, 1998 consist of the following:

| | |
|---|---|
| Effect of net operating loss carry-forward | $ 70,010 |
| Less valuation allowance | (70,010) |
| Net deferred tax asset (liability) | $ -- |

The Company has recorded a valuation allowance in an amount equal to the deferred tax asset resulting from its net operating loss carry-forward.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-KSB/A to be signed on its behalf by the undersigned hereunto duly authorized.

VIEW SYSTEMS, INC.

/s/Gunther Than

June 21, 2001

Gunther Than,
President and Chief Executive Officer

## EXHIBIT INDEX

2.1 View Systems, Inc. Board of Directors Resolutions approving Acquisition Agreement and Plan of Reorganization With RealView Systems, Inc; Resolution of stockholders and Board of Directors of Real View Systems, Inc. approving Acquisition Agreement and Plan of Reorganization With Real View Systems, Inc. (1)

2.2 View Systems, Inc. Board of Directors Resolutions approving Acquisition Agreement and Plan of Reorganization With RealView Systems, Inc; Resolution of stockholders and Board of Directors of Real View Systems, Inc. approving Acquisition Agreement and Plan of Reorganization With Real View Systems, Inc. (1) View Systems, Inc. Acquisition Agreement and Plan of Reorganization with Xyros Systems, Inc. (1)

2.3 View Systems, Inc. Acquisition Agreement and Plan of Reorganization with ETMC(1)

2.4 Letter of Intent to Form Joint Venture Corporation Between NetServ Caribbean, Ltd. and View Systems, Inc. (1)

3.1 Articles of Incorporation and all Articles of Amendment of View Systems, Inc. (1)

3.2 By-Laws of View Systems, Inc. (1)

10.1 Form of Subscription Agreement For 8/8/99 Rule 505 (Amended to Be Rule 506) Offering and Terms of Offering Pages From Private Placement Memorandum, Dated August 8, 1999, Describing Rights of Subscribers. (1)

10.2 Form of Subscription Agreement For 11/11/99 Rule 506 Offering and Terms of Offering Pages From Private Placement Memorandum, Dated November 11,

| | |
|---|---|
| | 1999, Describing Rights of Subscribers. (1) |
| 10.3 | Subscription Agreement Between View Systems, Inc. and Lawrence Seiler for 170,000 Shares, Granting Registration Rights to 100,000 Shares. (1) |
| 10.4 | Lock-Up Agreement With Lawrence Seiler.(1) |
| 10.5 | Subscription Agreement Between View Systems, Inc. and Leokadia Than. (1) |
| 10.6 | Form of Subscription Agreement Between View Systems, Inc. and Jim Price and Tim Rieu. (1) |
| 10.7 | Subscription and Investment Representation Agreement between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2) |
| 10.8 | First Common Stock Purchase Warrant between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2) |
| 10.9 | Second Common Stock Purchase Warrant between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2) |
| 10.10 | Registration Rights Agreement between View Systems, Inc. and Rubin Investment Group, dated February 18, 2000. (2) |
| 10.11 | Non-qualified Stock Option Agreement with Richard W. Gray. (6) |
| 10.12 | Amendment to First Purchase Common Stock Warrant, Dated February 18,2000, Second Purchase Common Stock Warrant, Dated February 18, 2000, and Subscription and Investment Agreement, Dated February 18, 2000, Between View Systems and Rubin Investment Group. (7) |
| 10.13 | View Systems, Inc. 2000 Restricted Share Plan (8) |
| 10.14 | Second Amendment to First Purchase Common Stock Warrant, Dated February 18, 2000, Second Purchase Common Stock Warrant, Dated February 18, 2000, and Subscription and Investment Agreement, Dated February 18, 2000, Between View Systems and Rubin Investment Group. (9) |
| 10.15 | View Systems, Inc. Employment Agreement with Gunther Than. (1) |
| 10.16 | View Systems, Inc. Employment Agreement with Andrew L. Jiranek. (1) |
| 10.17 | View Systems, Inc. Engagement Agreement with Bruce Lesniak. (1) |
| 10.18 | View Systems, Inc. Employment Agreement with David Bruggeman. (1) |
| 10.19 | Eastern Tech Mfg. Corp. Employment Agreement with John Curran. (1) |
| 10.20 | Lease Agreement Between View Systems, Inc. and Lawrence Seiler. (1) |
| 10.21 | Stock Redemption Agreement, dated May 27, 1999, Between View Systems, Inc. and Gunther Than. (1) |
| 10.22 | Stock Redemption Agreement, dated September 30, 1999, Between View Systems, Inc. and Gunther Than. (1) |
| 10.23 | View Systems, Inc. 1999 Restricted Share Plan. (1) |
| 10.24 | Restricted Share Agreement with Bruce Lesniak (Lesniak & Associates). (1) |
| 10.25 | Restricted Share Agreement with John Curran. (1) |
| 10.26 | Restricted Share Agreement with David Bruggeman. (1) |
| 10.27 | Restricted Share Agreement with Gunther Than. (1) |
| 10.28 | Restricted Share Agreement with Andrew Jiranek. (1) |
| 10.29 | Restricted Share Agreement with Linda Than. (1) |
| 10.30 | View Systems, Inc. 1999 Employee Stock Option Plan. (1) |
| 10.31 | Non-qualified Stock Option Agreement with Gunther Than. (1) |
| 10.32 | Non-qualified Stock Option Agreement with Andrew Jiranek. (1) |
| 10.33 | Qualified Stock Option Agreement with Gunther Than. (1) |
| 10.34 | Qualified Stock Option Agreement with Andrew Jiranek. (1) |
| 10.35 | Promissory Notes from Xyros Systems, Inc. to Ken Weiss. (1) |
| 10.36 | Promissory Notes from Xyros Systems, Inc. to Hal Peterson. (1) |
| 10.37 | Loan Agreement Between Xyros Systems, Inc. and Columbia Bank. (1) |
| 10.38 | Letter From Columbia Bank Extending Term of Loan. (1) |
| 10.39 | License and Distribution Agreement with Visionics Corporation. (5) |
| 10.40 | License and Distribution Agreement with Lead Technologies, Inc. for |

| | |
|---|---|
| | Video OCR Software. (3) |
| 10.41 | License and Distribution Agreement with Anasoft Systems for Microsoft Operating System Software. (3) |
| 10.42 | License and Distribution Agreement with Aware, Inc. for Compression Software. (3) |
| 10.43 | Typical Non-Exclusive Reseller Agreement. (5) |
| 10.44 | Schedule of Contracted Resellers. (5) |
| 10.45 | Agreement between View Systems, Inc. and Magnum Financial Services, Inc., dated February 27, 2000. (5) |
| 10.46 | View Systems, Inc. Employment Agreement with Keith Company. (5) |
| 16.1 | Letter From Katz, Abosch, Windesheim, Gershman & Freedman, P.A. to View Systems, Inc., dated April 11, 2000. (4) |
| 21.1 | Subsidiaries of Registrant. (1) |
| 23.1 | Consent of Davis, Sita & Company.* |
| 23.2 | Consent of Stegman & Company.* |
| 99.1 | Consulting Agreement with Columbia Financial Group, LLC Granting Warrants and Stock and Granting Piggyback Registration Rights. (1) |
| 99.2 | Consulting Agreement with Tom Cloutier Granting Warrants and Registration Rights. (1) |
| 99.3 | Consulting Agreement with Guy Parr Granting Warrants and Registration Rights. (1) |
| 99.4 | Form of Stock Certificate. (1) |
| 99.5 | Consulting Agreement with Magnum Worldwide Investments, Ltd. (1) |
| 99.6 | Consulting Agreement with Mid-West First National, Inc. (10) |
| 99.7 | Consulting Agreement with Pacific First National, Corp. (10) |
| 99.8 | Consulting Agreement with Columbia Financial Group, LLC (10) |
| 99.9 | Consulting Agreement with John Clayton (10) |
| 99.10 | Consulting Agreement with Magnum Financial Group, LLC (10) |
| 99.11 | Letter to Rubin Investment Group dated March canceling its warrants (11) |

------------------------------------------

(1) Incorporated By Reference from Registrant's Registration Statement on Form SB-2 Filed With the Commission On January 11, 2000

(2) Incorporated By Reference From Registrant's Report on Form 8K, dated February 19, 2000.

(3) Incorporated By Reference From Registrant's Report on Form 10KSB, Dated March 30, 2000.

(4) Incorporated By Reference From Registrant's Report on Form 8K, Dated April 13, 2000.

(5) Incorporated By Reference From Registrant's Statement on Form SB-2/A, Dated April 27, 2000.

(6) Incorporated By Reference From Registrant's Form 10 QSB, Dated May 15,2000.

(7) Incorporated by Reference to Registrant's Registration Statement on Form SB-2/A, dated June 7, 2000.

(8) Incorporated By Reference to Registrant's Definitive Proxy Statement On Schedule 14A, dated May 3, 2000.

(9) Incorporated by reference to Registrant's Statement on Form SB 2/A, dated July 20, 2000.

(10) Incorporated by reference to Registrant's Statement on Form SB 2, dated February 12, 2001.

(11) Incorporated by reference to Registrant's Statement on Form SB 2/A, dated March 28, 2001.

*attached hereto.