

VIEW SYSTEMS INC
Form S-1/A
March 11, 2011

Registration No. 333-169804

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM S-1

Amendment No. 2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VIEW SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

3670

(Primary Standard Industrial Classification Code Number)

59-2928366

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

1550 Caton Center Drive, Suite E

Baltimore, Maryland 21227

Edgar Filing: VIEW SYSTEMS INC - Form S-1/A

(410) 242-8439

(Address, including zip code, and telephone number,

Including area code, of registrant's principal executive offices)

American Corporate Enterprises, Inc.

123 West Nye Lane, Suite 129

Carson City, Nevada 89708

(775) 884-9380

(Name, address, including zip code, and telephone number,

Including area code, of agent for service)

As soon as practicable after this Registration Statement is declared effective.

(Approximate date of commencement of proposed sale to the public)

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: T

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

Edgar Filing: VIEW SYSTEMS INC - Form S-1/A

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

Large accelerated filer £

Accelerated filer £

Non-accelerated filer £

Smaller reporting company T

Calculation of Registration Fee

**Title of Each
Class of
Securities**

**to be
Registered**

Amount

**to be
Registered
(1)**

**Proposed
Maximum
Offering
Price**

Per Unit (2)

**Proposed
Maximum
Aggregate**

Offering
Price
Amount of
Registration
Fee (3)
Common
Stock

Shares
offered by the
Company

50,000,000

\$0.02

\$1,000,000

\$71.30

Shares
offered by a
Selling
Stockholder
(4)

1,500,000

\$0.02

\$30,000

\$2.14

Total

51,500,000

\$0.02

\$1,030,000

\$73.44

(1)

Pursuant to Rule 415 of the Securities Act, these securities are being offered by the Company and the Selling Stockholders named herein on a delayed or continuous basis. The offering price has been arbitrarily determined.

(2)

The offering price has been arbitrarily determined.

(3)

Estimated solely for the purpose of calculating the registration fee under Rule 457(c) or (g) under the Securities Act of 1933 based on the closing bid quote for our common stock as of October 5, 2010.

(4)

These are outstanding shares of common stock which may be offered for sale by a Selling Stockholder pursuant to this registration statement on a securities market such as the Over-the-Counter Bulletin Board or other securities exchange at prevailing market prices or privately negotiated prices.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8 (A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, PROSPECTUS DATED MARCH 11, 2011.

A Total of 51,500,000, Shares of Common Stock Offered for Sale

50,000,000 Shares Offered at \$.02 Per Share by the Company

1,500,000 Shares Offered at Market Price by a Selling Shareholder

View Systems, Inc. (the Company) is offering for sale a total of up to 50,000,000 shares of its common stock, par value \$0.001 per share (Common Stock) on a "self-underwritten," best efforts basis. The shares will be offered at a price of \$.02 per share for a period of at least six months but not more than twelve months from the date of this prospectus, and we may close or terminate the Offering earlier than twelve months. There is no minimum number of shares required to be purchased per investor, and we are not required to sell any minimum number of shares in the offering. Proceeds from the offering will not be placed in escrow or similar type of account and will be immediately available for use by the Company. See "Use of Proceeds" and "Plan of Distribution." We make no prediction how many shares we will sell, and we may not realize enough proceeds to remain in operation. In addition, the selling stockholder named in this prospectus (the "Selling Stockholder") is offering for sale from time to time an aggregate of up to 1,500,000 shares of our Common Stock.

If we sell all of the 50,000,000 shares offered by the Company, we will receive \$969,918 in estimated gross proceeds. The Company expects the net proceeds from the sale of fifty percent (50%) of the shares will sustain its operations for a period of 5 months. We will not receive any of the proceeds from the sale of shares offered by the Selling Stockholders.

The shares being offered for resale by the Selling Stockholder will be offered and sold at market prices. If the Selling Shareholder sells all 1,500,000 shares at an estimated \$0.02 per share (our market price as of the most recent practicable date), they may realize approximately \$30,000. The shares being offered for resale by the Selling Stockholder represent approximately 1.6% of the Company's issued and outstanding Common Stock (or 1.0% of the issued and outstanding Common Stock if the 50,000,000 shares offered by the Company pursuant to this prospectus are sold). Also, sales of a substantial number of shares of our Common Stock by the Selling Stockholder within a relatively short period of time could have the effect of depressing the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities.

The Selling Stockholder and any broker/dealer executing sell orders on behalf of the Selling Stockholder may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended. Commissions received by any broker/dealer may be deemed to be underwriting commissions under the Securities Act. Proceeds received by the Selling Shareholder in excess of \$66,147 represent underwriting discounts to the Selling Shareholder.

Our common stock is not listed on a national securities exchange or The Nasdaq Stock Market. Our common stock is quoted on the Over the Counter Bulletin Board (OTCBB) under the symbol VSYM.OB .

THESE SECURITIES ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK AND SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD THE LOSS OF THEIR ENTIRE INVESTMENT. PLEASE REFER TO "RISK FACTORS" BEGINNING ON PAGE 5 WHICH DESCRIBE CERTAIN MATERIAL RISKS YOU SHOULD CONSIDER BEFORE INVESTING AND DILUTION BEGINNING ON PAGE 12 WHICH DESCRIBES THE IMMEDIATE DILUTION THAT INVESTORS IN THIS OFFERING WILL SUFFER.

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED OF THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

[Inside Cover of Prospectus]

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. You should read the entire prospectus before making an investment decision to purchase our Common Stock. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. This prospectus is not an offer to sell securities in any state where the offer is not permitted.

Table of Contents

Page

SUMMARY

3

RISK FACTORS

5

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

10

DESCRIPTION OF SECURITIES

10

USE OF PROCEEDS

11

DETERMINATION OF OFFERING PRICE

12

DILUTION

12

SELLING STOCKHOLDER

13

PLAN OF DISTRIBUTION

13

INTEREST OF NAMED EXPERTS AND COUNSEL

18

DESCRIPTION OF BUSINESS

18

DESCRIPTION OF PROPERTY

25

LEGAL PROCEEDINGS

25

PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

25

CAPITALIZATION

30

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATION

31

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

36

DIRECTORS AND EXECUTIVE OFFICERS

36

EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE

37

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

39

TRANSACTIONS WITH RELATED PERSONS, PROMOTORS, AND CERTAIN CONTROL PERSONS AND CORPORATE GOVERNANCE

40

DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT

LIABILITIES

41

WHERE YOU CAN FIND MORE INFORMATION

41

FINANCIAL INFORMATION

42

PROSPECTUS SUMMARY

The following summary highlights aspects of the offering. This prospectus does not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the Risk Factors section and the financial statements, related notes and the other more detailed information appearing elsewhere in this prospectus before making an investment decision.

In this prospectus, unless otherwise indicated, "we," "us," "our" and the "Company" refer to View Systems, Inc.

Our Company

View Systems, Inc. develops, produces and markets computer software and hardware systems for security and surveillance applications. We incorporated in Florida on January 25, 1989, as Beneficial Investment Group, Inc., and on July 25, 2003 we changed our state of incorporation to Nevada. Our principal office is located at 1550 Caton Center Drive, Suite E, Baltimore, Maryland 21227. Our telephone number is (410) 242-8439.

Our principal products, which we market primarily to government and law enforcement agencies and commercial security professionals, include the following:

1.

ViewScan Concealed Weapons Detection System;

2.

Multi-Mission Mobil Video; and

3.

ViewMaxx Digital Video System.

We manufacture and distribute these products from our Baltimore, Maryland location.

In 2010 we also commenced distributing a product for sale to retail customers known as the MINI (Mobile Intelligent Network Informer) which is marketed and sold primarily through the Internet. We license the MINI from its manufacturer.

In 2009 our Network Services division commenced operations. Network Services specializes in the installation of complex electronic control systems which typically include access control, parking and vehicular control, closed circuit television surveillance, audio intercommunication, and proprietary alarm monitoring systems in commercial and multi-tenant residential applications.

Please see DESCRIPTION OF BUSINESS Products and Services - beginning on page 18 for detailed descriptions of our products and services.

Although we have established more than one web site to market our products, prospective investors are strongly cautioned that any information appearing on one of our web sites should not be deemed to be a part of this prospectus and should not be utilized in making a decision whether to buy our Common Stock.

SUMMARY OF THIS OFFERING

Securities Offered By the Company

.

Up to 50,000,000 Shares of our Common Stock are being offered for sale by the Company.

.

Our Common Stock is described in further detail in the section of this prospectus titled DESCRIPTION OF SECURITIES Common Stock.

Offering Price

.

We will sell the Shares at \$0.02. This price was determined by us arbitrarily.

Securities Offered By a Selling Stockholder

.

Up to 1,500,000 Shares of our Common Stock owned by a Selling Stockholder are included in this Prospectus. The Selling Stockholder is not obligated to sell any Shares.

Offering Price

.

The Selling Stockholder may sell its Shares from time to time at market prices.

Number of shares outstanding before the offering

.

97,410,189 shares of Common Stock issued and outstanding as of December 31, 2010.

Total number of shares

of Common Stock outstanding after the offering (if fully subscribed)

.

147,410,189 shares of Common Stock.

Net Proceeds to the Company

.

We intend to accomplish this Offering on a self-underwritten basis directly through our officers, directors and/or employees, who will not be separately compensated therefore. However, we reserve the right to utilize an underwriter in which case we will amend this Prospectus to disclose the material terms of such relationship as they pertain to the offering. Additionally, we estimate that costs of this offering for such items as legal and accounting fees, printing, and SEC registration fees, and other charges will total approximately \$30,073. Thus net proceeds to the Company if this offering is fully subscribed without the use of underwriters will be \$969,927 (assuming \$30,073 in Offering expenses are paid). In the event that only 50% of the Shares are sold the Company will generate net proceeds of \$469,927 (assuming \$30,073 in Offering expenses are paid). In the event that the Company only sells 10% of the Shares the Company will generate net proceeds of \$69,927 (assuming \$30,073 in Offering expenses are paid).

Use of Proceeds

.

We will use the proceeds from this offering to: (1) facilitate product fulfillment (manufacturing, packaging and shipment), which we anticipate will enable future orders to be self funding; (2) provide working capital to finance corporate acquisitions and the integration of new technologies; and (3) retire debt through cash payment or the exchange of debt obligations with payment in Common Stock registered in this offering. A summary of our intended use of the proceeds of this offering is set forth in the section of this prospectus titled USE OF PROCEEDS

Consummation of the offering

.

We will terminate this offering upon the earlier to occur of (1) one year from the effective date of this prospectus, (2) sale of all the Shares being offered, or (3) anytime after a minimum of six months from the date of the Prospectus at our sole discretion if we determine that it is in our best interests to withdraw the offering.

RISK FACTORS

You should carefully consider the risks, uncertainties and other factors described below because they could materially and adversely affect our business, financial condition, operating results and prospects and could negatively affect the market price of our Common Stock. Also, you should be aware that the risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we do not yet know of, or that we currently believe are immaterial, may also impair our business operations and financial results. Our business, financial condition or results of operations could be harmed by any of these risks. The trading price of our Common Stock could decline due to any of these risks, and you may lose all or part of your investment.

In assessing these risks you should also refer to the other information contained in or incorporated by reference to our Form 10-K for the year ended December 31, 2010, including our financial statements and the related notes.

THERE IS NO MINIMUM NUMBER OF SHARES THAT MUST BE SOLD AND NO ASSURANCE THAT THE PROCEEDS FROM THE SALE OF SHARES WILL ALLOW THE COMPANY TO MEET ITS GOALS.

We are selling our Shares on a best efforts basis, and there is no minimum number of Shares that must be sold by us in this Offering. Similarly, there are no minimum purchase requirements. We do not have an underwriter, and no party has made a firm commitment to buy any or all of our securities. We intend to sell the Shares through our employees, officers and directors, who will not be separately compensated for their efforts. Even if we only raise a nominal amount of money, we will not refund any funds to you. Any money we do receive will be immediately used by us for our business purposes. Upon completion of this Offering, the Company intends to utilize the net proceeds to finance its business operations. While the Company believes that the net proceeds from the sale of all Shares in this Offering will enable the Company to meet its business plans and enable it to operate as other than a going concern, there can be no assurance that all these goals can be achieved. Moreover if less than all of the Shares are sold, management will be required to adjust its plans and allocate proceeds in a manner which it believes, in its sole discretion, will be in the best interests of the Company. It is highly likely that if not all of the Shares are sold there will be a need for additional financing in the future, without which the ability of the Company to operate as other than a going concern may be jeopardized. No assurance whatsoever can be given or is made that such additional financing, if and when needed, will be available or that it can be obtained on terms favorable to the Company. Accordingly you may be investing in a company that does not have adequate funds to conduct its operations. If that happens, you will suffer a loss of your investment.

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

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

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

We have incurred losses for the past two fiscal years which consists of a net loss of \$513,353 for 2010 and had a net loss of \$1,560,012 at December 31, 2009. In addition, View Systems, Inc. had a retained earnings deficit of \$22,837,787 at December 31, 2010, as compared with \$22,324,434 at December 31, 2009. Our operating results for future periods will include significant expenses, including new product development expenses, potential marketing costs, professional fees and administrative expenses, and will be subject to numerous uncertainties. As a result, we are unable to predict whether we will achieve profitability in the future, or at all.

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

The Company has a net loss of \$513,353 for the fiscal year ended December 31, 2010 and net cash used in operations of \$51,821 for the fiscal year ended December 31, 2010. Because the Company has not yet achieved or acquired sufficient operating capital and given these financial results along with the Company's expected cash requirements in 2011, additional capital investment will be necessary to develop and sustain the Company's operations.

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

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

Our net loss for the year ended December 31, 2010 was \$513,353 and our net loss for the year ended December 31, 2009 was \$1,560,012. Our retained deficit was \$22,837,787 at December 31, 2010. We are unable to fund our day-to-day operations through revenues alone, and management believes we will incur operating losses for the near future while we expand our sales channels. While we have expanded our product line and expect to establish new sales channels, we may be unable to increase revenues to the point that we attain and are able to maintain profitability. As a result we rely on private financing to cover cash shortfalls.

As a result, we continue to have significant working capital and stockholders' deficits including a substantial accumulated deficit at December 31, 2010. In recognition of such, our independent registered public accounting firm has included an explanatory paragraph in its report on our consolidated financial statements for the fiscal years ended December 31, 2010, and December 31, 2009 that expressed substantial doubt regarding our ability to continue as a going concern.

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

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

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

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

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

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

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

Currently, our directors and executive officers collectively hold approximately 43.1% of the voting power of our common and 100% of the preferred stock entitled to vote on any matter brought to a vote of the stockholders.

Including the effects of Gunther Than s, our CEO s, voting preferred stock, our directors and officers have the power to vote approximately 43.8% of common shares (based on the assumed effects of conversion of all of Mr. Than s preferred stock) as of the date of this report. Pursuant to Nevada law and our bylaws, the holders of a majority of our voting stock may authorize or take corporate action with only a notice provided to our stockholders. A stockholder vote may not be made available to our minority stockholders, and in any event, a stockholder vote would be controlled by the majority stockholders.

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

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

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

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

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

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

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

Market visibility for our common stock may be limited; and

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

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

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

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

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

BROKER-DEALER REQUIREMENTS MAY AFFECT TRADING AND LIQUIDITY.

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

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

Because of the limited trading market for our common stock, and because of the possible price volatility, you may not be able to sell your shares of common stock when you desire to do so. The inability to sell your shares in a rapidly

declining market may substantially increase your risk of loss because of such illiquidity and because the price for our common stock may suffer greater declines because of its price volatility.

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

.

variations in our quarterly operating results;

.

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

.

additions or departures of key personnel; and

.

fluctuations in stock market price and volume.

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

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

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

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

SALES OF OUR COMMON STOCK RELYING UPON RULE 144 MAY DEPRESS PRICES IN THE MARKET FOR OUR COMMON STOCK BY A MATERIAL AMOUNT.

A majority of the currently outstanding shares of our Common Stock are *restricted securities* within the meaning of Rule 144 under the Securities Act of 1933, as amended. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Act and as required under applicable state securities laws. Rule 144 provides in essence that an affiliate who has held restricted securities for a prescribed period may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed 1.0% of a company's outstanding Common Stock. The alternative average weekly trading volume during the four calendar weeks prior to the sale is also available to our affiliate shareholders because the OTCBB is an *automated quotation system* and, accordingly, market based volume limitations are available for securities quoted only over the OTCBB. However, there is no limit on the amount of restricted securities that may be sold by a non-affiliate (i.e., a stockholder who has not been an officer, director or control person for at least 90 consecutive days) after the restricted securities have been held by the owner for a period of at least six months and the other requirements of Rule 144 have been satisfied. Presently shares of restricted Common Stock held by non-affiliates of the Company may be sold, subject to compliance with Rule 144, six months after issuance. Sales under Rule 144 or under any other exemption from the Act, if available, or pursuant to registration of shares of Common Stock of present stockholders, may have a depressive effect upon the price of the Common Stock in any market that may develop.

THE OFFERING PRICE OF THE SHARES OFFERED BY THE COMPANY WAS NOT DETERMINED BY TRADITIONAL CRITERIA OF VALUE.

Presently there is a limited market for our shares of Common Stock on the OTCBB. Trading of our Common Stock does not occur every business day and therefore our Common Stock is relatively illiquid and difficult to price. Accordingly potential purchasers in this Offering should not rely on any quotations published by the OTCBB as the price at which our Shares may be sold. In addition the Company cannot give any assurance that the quoted prices on

the OTCBB for the Company's shares have any relation to the actual value of the Company. Accordingly potential investors in this Offering should note that the Offering price of the Shares being offered pursuant to this Prospectus was arbitrarily established by us and was not determined by reference to any traditional criteria of value, such as book value, earnings or assets.

PURCHASERS OF THE SHARES WILL INCUR AN IMMEDIATE AND SUBSTANTIAL DILUTION.

The purchasers of the Shares being offered hereby will furnish a substantial amount of the Company's capital and will assume substantially all of the financial risk, whereas the present stockholders and the Selling Stockholders will receive a substantial majority of the benefits, if any. In addition, the present Stockholders may have substantial potential profits as a result of this Offering, while purchasers of the newly-issued Shares will experience an immediate and substantial percentage dilution in the net tangible book value of their of their Shares. See: DILUTION.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Information included in this Prospectus contains forward-looking statements. 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 similar 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.

DESCRIPTION OF SECURITIES

Our amended and restated articles of incorporation provide that we are authorized to issue two classes of equity securities comprised of 950,000,000 shares of common stock with a par value of \$.001 per share (Common Stock) and 10,000,000 shares of preferred stock with a par value of \$.01 per share (Preferred Stock). We are also authorized to issue rights, warrants, and options to purchase any class of equity securities.

Common Stock

This offering pertains only to our Common Stock. Pursuant to the terms of our amended and restated articles of incorporation, our Common Stock may be issued from time to time without any action by the stockholders for such consideration as may be fixed from time to time by the Board of Directors, and shares so issued, the full consideration for which has been paid or delivered, shall be deemed the full paid up stock, and the holder of such shares shall not be liable for any further payment thereof. Shares of Common Stock are not redeemable, do not have any conversion or preemptive rights, and are not subject to further calls or assessments by the Company once fully paid and shall not be subject to assessment to pay the debts of the Company. Holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and may not cumulate their votes for the election of directors.

Holders of Common Stock will be entitled to share pro rata in such dividends and other distributions as may be declared from time to time by the Board of Directors out of funds legally available therefore, subject to any prior rights accruing to any holders of preferred stock of the Corporation. Upon liquidation or dissolution of, or any

distribution of the assets of, the Corporation, holders of shares of Common Stock will be entitled to share proportionally in all assets available for distribution to such holders.

Preferred Stock

All of our authorized Preferred Stock is categorized as Series A Preferred Stock. Series A Preferred stock, among other rights set forth in our amended and restated articles of incorporation, has the right to:

.
a liquidation preference of \$.01 per share, plus an amount equal to any accrued and unpaid dividends to the payment date, and no more, before any payment or distribution is made to the holders of Common Stock or any series or class of the Company's stock hereafter issued that ranks junior as to liquidation rights to the Series A Convertible Preferred Stock;

.
to convert all or any portion of such holder's shares of Series A Convertible Preferred Stock into fully paid and non-assessable shares of Common Stock in a ratio of 15 shares of Common Stock for each share of Series A Preferred Stock;

.
15 votes for each share of Series A Convertible Preferred Stock and each share is entitled to vote on any and all matters brought to a vote of shareholders of Common Stock; and

.
Prevent the establishment of a class or category of stock superior in distribution rights to Series A Preferred Stock unless a majority of the Series A Preferred Stockholders consent to such action.

USE OF PROCEEDS

We estimate that, if our Offering is fully subscribed, we will receive net proceeds of \$969,927.00 from our sale of 50,000,000 Shares. This estimate is based on an Offering price of \$0.02 per Share, and assumes that we will not engage the services of an underwriter to assist us in selling all of the Shares. If we engage an underwriter, our net proceeds will be reduced by the negotiated commissions paid to the underwriter. However, as of the effective date of this prospectus, we have not engaged an underwriter. For purposes of this disclosure we have assumed that no commissions will be paid on any Shares. Additionally, we estimate that our direct costs of this Offering (SEC filing fees, legal, accounting, printing, and miscellaneous expenses) will be \$30,073.

The primary purposes of this Offering are to obtain additional capital to: (1) facilitate product fulfillment (manufacturing, packaging and shipment), which we anticipate will enable future orders to be self funding; (2) provide working capital to finance corporate acquisitions and the integration of new technologies; and (3) retire debt through cash payment or the exchange of debt obligations with payment in registered Common Stock. The table below represents our best estimate of the allocation of the net proceeds, including the priorities for the use of the proceeds, based upon our current business plan and assuming that all of the Shares are sold and not used to retire debt in exchange for Common Stock registered in this offering.

Assuming the Sale of All Shares

Gross Proceeds
from Offering

\$

1,000,000

100

%

Offering
Expenses (legal,
accounting,
filing fees,
printing, transfer
agent,

and
miscellaneous
fees)

30,073

3.0

%

Retire Trade
Debt

137,000

13.7

%

Working Capital
(including office
expense, general
administration
expenses,

and
professional
fees)

832,927

83.3

%

Total

\$

1,000,000

100

%

Assuming the Sale of 50% of the Shares

Gross Proceeds
from Offering

\$

500,000

100

%

Offering
Expenses (legal,
accounting, filing
fees, printing,
transfer agent,
and

miscellaneous
fees)

30,073

6.0

%

Retire Trade
Debt

137,000

27.4

%

Working Capital
(including office
expense, general
administration
expenses,

and
professional fees)

332,927

66.6

%

Total

\$

500,000

100

%

Assuming the Sale of 10% of the Shares

Gross Proceeds
from Offering

\$

100,000

100

%

Offering
Expenses (legal,
accounting, filing
fees, printing,
transfer agent and

miscellaneous
fees)

30,073

30.1

%

Retire Trade Debt

-

-

Working Capital
(including office
expense, general
administration
expenses,

and
professional fees)

69,927

69.9

%

Total

100,000

100

%

11

The amounts set forth merely indicate the general application of net proceeds of the Offering. Actual expenditures relating to the development of our business may differ from the estimates depending on the efficacy of our business development efforts, unanticipated costs in connection therewith as well as changes in the industry and actions of our competitors among other causes. We may also use shares registered in the Offering to offer to trade creditors in exchange for the forgiveness of our debts. There can be no assurance we will be successful in our efforts to secure investors to invest in our Offering, exchange debt obligations for common equity, and/or obtain alternative financing. In the event that not all of the Shares are sold, management in its sole discretion will allocate the proceeds of this Offering in a manner in which it determines will be in the best interests of the Company. In such an event we may not be able to follow our business plan. This may have a significant impact on our ability to continue operating our business. Moreover even if all of the Shares are sold, management reserves the right to alter the above projected use of proceeds if it determines that such changes will be in the best interests of the Company. Accordingly, the amounts and timing of our actual expenditures will depend on numerous factors, including the status of our development and marketing activities and competition. Accordingly, our management will have broad discretion in the use of the net proceeds from this Offering. All net proceeds from this Offering will be immediately available for use by the Company.

DETERMINATION OF OFFERING PRICE

Since there is only limited trading of our shares of Common Stock which are quoted on the OTCBB, the Offering price of our Shares was unilaterally determined solely by the Company. The last trade of our shares of our Common Stock, as reported by www.finance.yahoo.com, was on March 7, 2011.

The facts we considered in determining the Offering price were:

·
our financial condition and prospects the

·
homeland security market in general;

·

our operating history;

.

the general condition of the securities market; and

.

management's informal prediction of demand for securities such as the Shares.

The Offering price is not an indication of and is not based upon the actual value of the Company. The Offering price bears no relationship to our book value, assets or earnings or any other recognized criteria of value. The Offering price should not be regarded as an indicator of the future market price of our securities and/or the price at which any investor will be able to resell Shares purchased in this Offering.

DILUTION

The difference between our estimated offering price of \$0.02 per share of common stock and the pro forma net tangible book value per share of common stock after this offering constitutes the dilution to investors in this offering. Our net tangible book value per share is determined by dividing our net tangible book value (total tangible assets less total liabilities) by the number of outstanding shares of common stock.

At December 31, 2010 our Common Stock had a pro forma net tangible book value of approximately \$(1,135,774) or \$(0.01) per share. After giving effect to the receipt of the net proceeds from the maximum offering offered in this prospectus by the Company at an assumed initial offering price of \$0.02 per share, our pro forma net tangible book value at December 31, 2010 would be \$(155,847) or \$(0.001) per share in the maximum offering. This represents an immediate increase in net tangible book value to our present stockholders of \$969,927 in the maximum offering. The following table illustrates dilution to investors on a per share basis:

Maximum

Estimated offering price per share

\$0.02

Net tangible book value per share before offering

\$(0.01)

Increase per share attributable to investors

\$0.01

Pro forma net tangible book value per share after offering

\$(0.001)

Dilution per share to investors

\$0.02

SELLING STOCKHOLDERS

The following section presents information regarding our Selling Stockholder. The Selling Stockholder table and the notes thereto describe the Selling Stockholder and the number of securities being sold. A description of how the Selling Stockholder acquired the securities being sold in this offering is detailed under in the footnotes to the Selling Stockholder Table.

We are registering 1,500,000 shares owned by and on behalf of the Selling Stockholder named in this prospectus. We will pay all costs, expenses and fees related to the registration, including all registration and filing fees,

printing expenses, fees and disbursements of our counsel, blue sky fees and expenses. We will not offer any shares on behalf of a Selling Stockholder. The Selling is not required to sell its shares, nor has it indicated to us, as of the date of this prospectus, an intention to sell its shares. The Selling Stockholder is offering the common stock for its own account. The material relationship between us and the Selling Stockholder is identified below in the footnotes to the Selling Stockholder Table.

The following table provides as of the date of this prospectus, information regarding the beneficial ownership of our common stock held by the Selling Stockholder, including, (i) the number of shares of our common stock

beneficially owned by each prior to this offering; (ii) the percentage of such shares of the Company's issued and outstanding shares; (iii) the total number of shares of our common stock that are to be offered by the Selling

Stockholder; (iv) the percentage of the issued and outstanding shares being offered;(v) the total number of shares that will be beneficially owned by the Selling Stockholder upon completion of the offering; and (vi) the percentage owned by each upon completion of the offering. To the best of our knowledge, the Selling Stockholder is not a broker-dealer or affiliate thereof.

The shares below were issued to the Selling Stockholders for services rendered under the exemption from the registration requirements of Section 4(2) of the Securities Act of 1933, as amended, due to the fact that the issuance did not involve a public offering of securities.

Selling Stockholder Table

**Selling
Stockholder**

**Shares of
Common
Stock Owned
by Selling
Stockholder**

**Percentage of
Common
Stock Owned
Before the
Offering (1)**

**Shares of
Common
Stock
Included in
Prospectus**

**Beneficial
Ownership
After the
Offering
(1)(2)**

**Percentage of
Common
Stock Owned
After
Offering
(1)(2)**

Russell C.
Weigel, III,
P.A. (2)

1,500,000

-

1,500,000

0

0

Totals

1,500,000

1,500,000

0

0

(1)

Based upon beneficial ownership information reported to the Company as of March 10, 2011.

(2)

Russell C. Weigel, III, P.A. is a law firm that provided services to us for which it has not been paid. The law firm agreed to accept 1,500,000 shares of Common Stock as payment for its unpaid invoices totaling \$66,147. The law firm also requested that we include these shares in any registration statement that we may file while the shares issued to the law firm remained in restricted from public transfer status. The beneficial owner of Russell C. Weigel, III, P.A. is Russell C. Weigel, III.

PLAN OF DISTRIBUTION

Shares Offered by the Company

This Offering relates to the sale of up to 50,000,000 Shares at the estimated Offering price of \$0.02 per share in a best-efforts direct public offering, without any involvement of underwriters. The Shares will be offered and sold by our officers, directors and/or employees. None of these persons will receive a sales commission or any other form of compensation for this Offering. In connection with their efforts, our officers, directors and employees will rely on the safe harbor provisions of Rule 3a4-1 of the Securities Exchange Act of 1934. Generally speaking, Rule 3a4-1 provides an exemption from the broker/dealer registration requirements of the Securities Exchange Act of 1934 for persons associated with an issuer provided that they meet certain requirements. No one has made any commitment to purchase any or all of the Shares being offered. Rather, our directors, officers, and/or employees will use their best efforts to find purchasers for the Shares. We are not required to sell any minimum number of Shares in this Offering. Funds received from investors will not be placed in an escrow, trust or similar account. Instead, all cleared

funds will be immediately available to us following their deposit into our bank account, and there will be no refunds once a subscription for Shares are accepted. We cannot predict how many Shares, if any, will be sold.

We may also offer some or all of the Shares registered in this offering to our trade creditors and lenders to exchange for debts owed by the Company. As of December 31, 2010, we have a total of \$1,361,427 in debt. We would like to retire as much of our debt as possible and will offer to exchange such debt for our Common Stock.

We will bear any expenses of this offering, which we estimate to be \$30,073.

We also may retain an underwriter to assist us or to supplant our selling efforts in the Offering. At this time we do not have any binding commitments, agreements, or understandings with any potential underwriter. If we elect to utilize an underwriter, we will amend this Prospectus. We have prepared this prospectus as if we are not using an underwriter to assist us with this Offering. To the extent that we are able to sell the Shares directly through our officers, directors, and employees, the net proceeds received from this Offering will be correspondingly higher than if we engage an underwriter.

This Offering will terminate no later than 12 months after the effective date of this prospectus, unless the Offering is fully subscribed before that date or we decide to close the Offering prior to that date. In either event, the Offering may be closed without further notice to you. However, the offering will remain open at least six months from the effective of the registration statement for the benefit of Selling Stockholders. All costs associated with the registration will be borne by us.

We have not authorized any person to give any information or to make any representations in connection with this Offering other than those contained in this prospectus and if given or made, that information or representation must not be relied on as having been authorized by us. This prospectus is not an offer to sell or a solicitation of an offer to buy any of the securities to any person in any jurisdiction in which that offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale hereunder shall under any circumstances, create any implication that the information in this prospectus is correct as of any date later than the date of this prospectus. Purchasers of share either in this Offering or in any subsequent trading market that may develop must be residents of states in which the securities are registered or exempt from registration. Some of the exemptions are self-executing, that is to say that there are no notice or filing requirements, and compliance with the conditions of the exemption renders the exemption applicable.

Prior to the date of this prospectus, there has been only an extremely limited trading market for our Common Stock. Our shares of Common Stock are quoted for trading on the OTCBB. The last trade of our Common Stock as reported

by www.finance.yahoo.com as of the most recent practicable date was on March 7, 2011 at an average price of \$0.01. Since only limited trading in our Common Stock has occurred, investors should not view any reported sales price as an indication of what the fair market value of the Shares are or the price at which Shares may be resold. Until a more active and steady trading market develops for our Common Stock, the price at which shares of our Common Stock trades at may fluctuate significantly. Prices for our Common Stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for our shares, developments affecting our businesses generally, including the impact of the factors referred to in RISK FACTORS above, investor perception of the Company, and general economic and market conditions. No assurances can be given that an orderly or liquid market will ever develop for our shares or that an investor will be able to resell the Shares purchased in this Offering.

Shares of Common Stock sold in this Offering will be freely transferable, except for shares of our Common Stock received by persons who may be deemed to be affiliates of the Company under the Securities Act. Persons who may be deemed to be affiliates of the Company generally include individuals or entities that control, are controlled by or are under common control with us, and may include our senior officers and directors, as well as principal stockholders. Persons who are affiliates will be permitted to sell their shares of Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Section 4(1) of the Securities Act or Rule 144 adopted under the Securities Act.

Applicable to the Offering by the Company and by Selling Stockholders: Penny Stock Regulations

Our Common Stock is considered a penny stock as defined by Section 3(a)(51) and Rule 3a51-1(g) under the Securities Exchange Act of 1934 because we do not have:

Net tangible assets (*i.e.*, total assets less intangible assets and liabilities) in excess of \$2,000,000, and

Average revenue of at least \$6,000,000 for the last three years.

For any transaction involving a penny stock, unless exempt, the penny stock rules require that a broker or dealer approve a person's account for transactions in penny stocks and the broker or dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience and objectives of the person and make a reasonable determination that the transactions in penny stocks are suitable for that person and that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, which, in highlight form, sets forth the basis on which the broker or dealer made the suitability determination, and that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stock in both public offerings and in secondary trading and commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account