VirTra SYSTEMS

The Higher Standard in Virtual Training Simulation

FINANCIAL INFORMATION (UNAUDITED)

YEAR END REPORT

DECEMBER 31, 2009

www.VirTra.com

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Section One: Issuers' Continuing Disclosure Obligations

PART A GENERAL COMPANY INFORMATION

I. **VIRTRA SYSTEMS, INC.**

II. **1406 W. 14th Street Suite 101**
Tempe, AZ 85281

(480) 968-1488

III. **Originally incorporated in Delaware in May 1993, currently incorporated in Texas**

PART B SHARE STRUCTURE

IV. **VIRTRA SYSTEMS, INC. COMMON STOCK**

Trading Symbol: **VTSI.PK**

CUSIP: **92827K 10 3**

V. **PAR VALUE AND DESCRIPTION OF THE SECURITY**

A. **PAR VALUE $0.005**

1. **No dividends currently given**
2. **2,000,000 shares of preferred stock are authorized, 0 shares are issued**
3. **No other material rights applicable to common stock.**
4. **No provision to delay, defer or prevent a change in control of the issuer**

VI. **The number of shares outstanding for each class of securities authorized**

(i)	**December 31, 2009**	
(ii)	**Number of shares authorized**	**500,000,000**
(iii)	**Total number of shares issued and outstanding**	**146,331,254**
(iv)	**Freely tradable shares (public float)**	**119,342,646**
(v)	**Total number of beneficial shareholders**	**2,477**
(vi)	**Total number of shareholders of record**	**198**

(i)	**December 31, 2008**	
(ii)	**Number of shares authorized**	**500,000,000**
(iii)	**Total number of shares issued and outstanding**	**136,204,154**
(iv)	**Freely tradable shares (public float)**	**93,733,351**
(v)	**Total number of beneficial shareholders**	**2,355**
(vi)	**Total number of shareholders of record**	**225**

(i)	**December 31, 2007**	
(ii)	**Number of shares authorized**	**500,000,000**
(iii)	**Total number of shares issued and outstanding**	**127,154,154**
(iv)	**Freely tradable shares (public float)**	**87,962,360**
(v)	**Total number of beneficial shareholders**	**2,534**
(vi)	**Total number of shareholders of record**	**225**

PART C BUSINESS INFORMATION

VII. Transfer Agent:

Continental Stock and Transfer & Trust Company
17 Battery Place, 8th Floor
New York, NY 10004

Phone (212) 509-4000 Fax (212) 616-7610

Continental Stock and Transfer & Trust Company is registered under the Exchange Act. Its regulatory authority is the Securities and Exchange Commission and the Banking Commission of New York.

VIII. The nature of the issuer's business

A. Business Development

In September 2001, Ferris Productions, Inc. merged with GameCom, Inc. to ultimately become VirTra Systems, Inc. a Texas Corporation originally organized under GameCom, Inc. in February 2000. The corporate name was changed to VirTra Systems, Inc. on April 30, 2002. Since then, we have directed our efforts to developing, selling and supporting an immersive virtual reality (IVR™) line of simulators, primarily to law enforcement and military organizations worldwide. Since VirTra's inception, we adopted a calendar year end, for tax and reporting purposes.

We currently manufacture, market, and support our products in two main markets: law enforcement and military. We offer two different versions of our IVR™ 360-degree realistic firearms training simulators: the IVR HD™, launched in March of 2004, for use in marksmanship, conflict resolution, and situational awareness training of law enforcement and public safety, and the IVR 4G™, launched in December of 2004, for use in military firearms/marksmanship training, situational awareness, and "fourth-generation" squad-based training.

We deregistered with the SEC on June 20th, 2008 and closed our office at 2500 City West Blvd., Suite 300, Houston, Texas 77042. Our corporate administration was moved to the existing engineering offices, production, and demonstration facility, at 1406 West 14th Street, Suite 101, Tempe, Arizona 85281, with a phone number of (480) 968-1488.

VirTra has never been in bankruptcy or receivership. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets. There are no past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

B. Business of Issuer

Our principal business began in 1993 with the organization of Ferris Productions, Inc. Ferris Productions was one of the oldest companies in the world that designed, developed, distributed, and operated virtual reality products for the simulation, promotion, entertainment, and education markets. Ferris Productions developed "Virtual reality" systems that create a real-time visual, audio, smell, and haptic (touch and feel) experience. Virtual reality immerses participants into a real-time synthetic environment generated or controlled by one (or several) computer(s).

Building on the long virtual reality heritage of Ferris Productions, VirTra Systems has created the world's most realistic judgment and firearm training systems for law enforcement, security or military personnel around the world. VirTra has several exclusive capabilities such as high-resolution video across multiple screens, proprietary Hybrid-CGI™ software (green-screen HD video), the patent-pending Threat-Fire™ shoot-back system, and the most realistic training scenario library in the world. These exclusive simulation features give our distributors a real advantage in competing for simulation sales in their territories. VirTra is becoming a prized brand in other countries and so far 100% of every distributor who has bought our simulator for demonstration in their territory has been successful. When the quality of training is important, customers seem to prefer VirTra's line of simulators.

The issuer's primary SIC Code is: 3699-0300 Electronic training devices.

Research and Development

Prior to becoming a profitable company, VirTra expensed research and development costs as the market value of our developments was unknown. Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established. After two consecutive profitable quarters and the judgment that development costs are recoverable, we begun to capitalize on-going development costs beginning in the fourth quarter 2008. See Note 11 and Note 13 to our Financial Statements.

Company Employees

VirTra employees approximately 26 people of which roughly half are currently full-time, but these numbers fluctuate from time-to-time. VirTra has created a distributor network, where local agents sell and service VirTra products throughout the world. VirTra's agents and distributors have the ability to positively affect VirTra's performance, but are not listed as employees.

IX. The nature of products or services offered.

Since 1993, VirTra Systems has produced leading simulation products for customers throughout the world. The company recruits the best and brightest in the industry, resulting in simulators with the most sought after features at prices below professional competitors. This explosive combination, coupled with unparalleled "go the extra mile" customer service has attracted a large flow of new clients, including international distributors, law enforcement agencies, every branch of the military armed services, federal agencies and international customers.

The Need for Realistic Training

The world can be a very dangerous place. Both soldiers and law enforcement officers are expected to make the correct decision, with excellent marksmanship, in split-second life-and-death situations. The better and more realistic the training, the greater the chance the trainee will succeed when lives hang in the balance and threats are real! Customers buy our simulator for realistic training so that a trainee has a better chance to survive lethal encounters as well as avoid the injury or death of others, whenever it is avoidable.

Real-World Training

VirTra's software and video developments along with recent technological advances have permitted training systems to expand to up to 360-degrees of realism. Previously only single-screen simulators were available, and these were very limited in offering challenging real-world training scenarios. VirTra Systems is the only company that offers high-resolution video across multiple screens, producing unrivaled realism and requiring situational awareness during training. Additionally, VirTra's systems are affordably priced.

Return Fire

One overwhelming factor in a real engagement is the fact that threats can cause harm or even death, this weighs heavily upon the trainee and certainly affects their responses. VirTra invented the patent-pending Threat-Fire™ belt, which safely simulates return fire with a split-second 100,000 volt shock. This ability to safely simulate return fire enhances the training effectiveness of any scenario and makes training more serious. This is a favorite training accessory for most every instructor. During 2nd quarter 2009, Lockheed-Martin purchased this device for evaluation purposes and subsequently ordered additional units.

Immersive Training

VirTra Systems didn't just bring the visual display closer to the real-world, it has also revolutionized the use of audio. VirTra has developed a training stage with a 2,000 watt audio and transducer system, resulting in high fidelity audio simulation. The immersive audio components of the systems are so realistic a trainee can actually feel a nearby explosion, or hear the noise of a busy street, or even make you believe a helicopter is overhead. The unique combination of high-resolution 360-degree visuals, powerful audio, and return fire capabilities creates a training environment that is closer to real-world situations than any other simulator in the world!

The Multi-Functional Simulator

VirTra's simulators are not just the most immersive simulators on the market, they are also the most flexible. Customers are able to accomplish a long list of training objectives with just one simulator. Below are some of the training possibilities with an IVR simulator:

- High-quality Judgmental-Use-of-Force scenarios (realistic decision making)
- Standard and advanced marksmanship: military and law enforcement courses
- Low-light training and NVG support
- Less than lethal support for TASER®, OC spray, and baton
- Digital Shoot-house – highly realistic close quarter scenarios
- Basic and advanced military combat scenarios, MOUT, CQB with full immersion
- Real-world marksmanship – 'human' threats running between cover

Realistic and Safe Recoil for Firearms

Simulation realism continues with a large selection of state-of-the-art recoil kits. VirTra offers powerful recoil kits that closely match the recoil force of a live firearm, but use no blanks or live rounds. One style recoil kit simply fit into a trainee's actual weapon. Another type of simulated weapon does not require a real weapon and can be a dedicated training weapon. VirTra's recoil systems are the most reliable on the market and they use safe and inexpensive CO2. VirTra has developed the only recoil kit that can fit into a real M-4/M-16 or AR-15 and can create jams, even supporting tactical reloads. We also offer a full line of belt-pack and state-of-the-art tetherless recoil kits ranging from pistols, to assault rifles, and heavy machine guns.

Less Lethal Devices

VirTra's simulators also support less lethal devices such as TASER®, chemical spray and baton so that the full use-of-force spectrum is simulated.

Live Fire

If the training need requires live fire, VirTra's simulation products can be adjusted to accommodate. Whether in a mobile trailer configuration or in a permanent facility, VirTra can provide live fire simulators.

Training Content

One of the most important aspects of any simulator is the quality of the content. A combination of excellent visual and audio equipment gives our content designers the biggest and best capabilities for intense scenarios. VirTra Systems goes to great lengths to ensure our training content is superior in quality, realism, immersion, and relevance. We begin with the top subject-matter experts and carefully study after-action reports from actual incidents. Next, we screen and cast actors for each role. We add props and special effects as needed, including make-up or fake blood, and we have a full post-production studio. VirTra has a tremendous advantage with scenario production, as it is the only company in the world that builds each scenario from the best of three types of technology: VirTra's unique multi-screen HD video technology, computer generated graphics (CGI), or VirTra's unique Hybrid-CGI™ technology. VirTra's unique Hybrid-CGI™ scenario creation software integrates "green-screen" video, panoramic photorealistic images, computer-generated images, and 3-D sound, decreasing both cost and time of scenario production, even for multiple-screen simulation.

International Expansion

VirTra Systems has expanded its sales to other countries throughout the world, and has some of the finest local agents to represent our product line. Training professionals from other countries are learning that VirTra produces the finest simulators in the world, and VirTra's distributor network is growing. Our state-of-the-art software and scenarios can quickly be expanded to additional languages as required. VirTra's simulators were designed with other languages and international deployment in mind.

Licensing
VirTra has agreements to license its software or other intellectual property to other companies. VirTra is very careful to only license items that make business sense to VirTra.

Service and Support
VirTra Systems takes pride in providing exceptional service and support for our customers. Each customer is given both office and mobile phone numbers of service and engineering employees, so if customers have an issue, it is resolved quickly and efficiently. Based on the excellent service provided by VirTra, customers often decide to renew their system warranty and refer other customers to VirTra.

Market Penetration
Since 2004, the installation base of our IVR HD and IVR 4G models continues to grow both internationally and domestically, as we continually gain new military and law enforcement customers.

While VirTra has reported multiple millions of dollars of sales for several years, it believes that it has only captured about 1% to 3% of the overall market potential for its current products.

Divesting Activities
We made a strategic decision during 2007 to focus on our law enforcement and military product line and we sold our advertising and promotion division (including the Immersa-dome) to Aardvark Applications for an undisclosed sum.

Competition
There are currently no direct competitors to VirTra Systems' multi-screen high-resolution video simulators, Threat-Fire™ shoot-back devices, or VirTra's unique immersive training methodologies.

However, competition within the single-screen market is intense. Companies have made essentially the same single-screen style simulator for the past 15 years or longer.

Some general competitors that promote substitute or similar products are as follows:

Advanced Interactive Systems, Inc. ("AIS") has been a provider of interactive simulation systems designed to provide training for law enforcement, military, and security agencies since 1993. Its line of products uses primarily video production in judgmental training scenarios. AIS also markets to anti-terrorist and other special application training facilities for military and special operations groups. Its systems have historically used only single screen technology and projectile-based shoot-back systems. Projectile shoot-back systems require eye-protection, must be aimed, requires picking up the used projectiles, requires compressed air, and can miss the trainee or even accidently injure the trainee (such as hitting a damaged knee). VirTra's Threat-Fire™ device has none of these disadvantages.

Cubic Defense Applications ("Cubic") performs in a wide range of industries, including military simulation, Cubic currently produces a product (EST-2000) which was developed many years ago as mainly a marksmanship training system, with limited immersive combat training capabilities. Cubic focuses on large contracts with the US Army and does not provide a viable law enforcement product. Due to its pre-existing contract, its size and corporate strength, Cubic is a strong competitor within the military market for the US Army. Most all of Cubic's revenue is from military sales.

Meggitt (previously "FATS") claims to have thousands of training systems installed worldwide by military, law enforcement, and commercial customers. Meggitt is a full service training/simulation company that also uses video scenarios with single-screen technology for law enforcement. For military use, Meggitt provides multi-screen systems with computer-generated images, but is unable to produce VirTra's patent-pending Threat-Fire belt or high-resolution video training on multiple screens (Hybrid-CGI). Meggitt also produces other types of simulators and recoil weapons. Cubic and FATS products are similar in many respects, although Meggitt has been in the market longer. The majority of Meggitt's revenue is from military sales.

Laser Shot is a supplier of basic video game simulation equipment to home enthusiasts, all the way up to law enforcement and military simulators. It is trying to attack many markets simultaneously such as: home use, hunter training, live-fire ranges, virtual law enforcement and virtual military marketplaces. Laser Shot provides multi-screen systems with computer-generated images, but is unable to produce VirTra's patent-pending Threat-Fire belt or high-resolution video training on multiple screens (Hybrid-CGI).

MPRI (an L-3 Company) is a supplier of marksmanship and single-screen, low-cost simulation equipment to law enforcement or military. MPRI is believed to have a large install base of simulators with mainly military customers. MPRI often competes with Laser Shot and IES, and rarely competes with VirTra. MPRI is owned by L-3, which is a very large defense company.

IES Interactive Training, Inc. ("IES") is a supplier of single-screen simulation equipment to law enforcement. IES has fielded several hundred single screen systems in the law enforcement marketplace.

The above summary of competition is by no means exhaustive but does contain the most active competitors known at this time.

Major Customers
For the year, international sales accounted for approximately 49% of total revenue; this comes from multiple distributors who sell to a variety of customers. One large international contract completed during the second quarter was approximately 15% of overall revenue for the year. This was a large project for the year, but most often such projects consistently shift among different customers on an ongoing basis. Other international customers are not excessively concentrated with two at 9.5% and 6.3%. All other customers are individually below 5.5%.

Trademarks/Patents
We have obtained a patent and various federal trademarks through the years. VirTra will continue to pay maintenance fees only on those trademarks or patents that have continued value to current or projected future operations, based on the judgment of VirTra's management.

On December 3, 2004, in advance of product debut, we submitted a patent application for the Threat-Fire™ device.

The Threat-Fire™ patent application is still active.

X. The nature and extent of the issuer's facilities.

Our corporate and production offices are located in Tempe, Arizona. VirTra leases a total of 13,000 sq. ft. divided between a 8,000 sq. foot facility and a 5,000 sq. foot facility located within walking distance. The cost for both facilities is approximately $10,000 per month. Our lease expires in April 2011.

PART D Management Structure and Financial Information

XI. The name of the chief executive officer, members of the board of directors, as well as control persons.

A. Officers and Directors

The following table sets fourth the names and ages of our current directors and executive officers, the principal offices and positions held by each person, and the date such person became our director or executive officer.

Name	Age	Position(s)	Date of Appointment
Bob Ferris	38	Chief Executive Officer and Chairman of the Board of Directors	05/13/08
H. Frank Stanley	42	Director	07/28/06
Matt Burlend	35	Director and Secretary	12/30/08

The members of our board of directors are elected annually and hold office until their successors are elected and qualified. Our officers are chosen by and serve at the pleasure of its board of directors. Some of the officers and directors have positions of responsibility with other businesses and will devote only such time as they believe necessary on our business.

There are no family relationships between any of the directors and executive officers. There was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

We do not have a separate audit committee. Our full Board of Directors functions as the audit committee.

Bob Ferris had been president of the former Ferris Productions, Inc. since he founded that company in 1993. On May 13th, 2008, Mr. Ferris became CEO of VirTra. Bob Ferris attended the US Air Force Academy with a major in Management. He received a degree in Systems Engineering from the University of Arizona. While at the University, he was elected as President of the Engineering Student Council and was awarded a research grant from the Honors College to study Data Visualization in Virtual Reality. Bob Ferris has been awarded a patent, spoken at various tradeshows, developed ground-breaking simulation products highlighted in magazines such as TIME, WIRED and Popular Science. Bob Ferris has been referred to by journalists as one of the ‘grandfathers’ of virtual reality and simulation.

H. Frank Stanley retired as a major in military intelligence from the U.S. Army after serving for over 20 years. His military experiences range from instruction and leadership in special operation tactics to weapons training. Stanley's military duties have taken him from service in the United States to Bosnia and Iraq. Most recently, he served in Baghdad, Iraq, as the Army's chief of intelligence leading the War Crimes Investigations Team, hunting Iraq's 52 most-wanted war criminals. Mr. Stanley has currently been reactivated for duty on special assignments in the US Army, but is able to continue to serve on the Board of Directors.

Matt Burlend serves VirTra as vice-president of production and senior engineer. Prior to his employment with the former Ferris Productions, Mr. Burlend was employed from 1996 until 1999 at Panduit Corporation, a designer of automated production equipment, as a machine design engineer. Mr. Burlend holds a mechanical engineering degree from Olivet Nazarene University.

EXECUTIVE COMPENSATION

This summary compensation table shows certain compensation information for services rendered in all capacities during the years ended December 31, 2009, December 31, 2008 and December 31, 2007.

Name	Principal Position	Year	Salary	Stock Awards	Option Awards	All Other Comp.	Total
	YTD	2009	95,000	-	*	67,971	162,971
Robert D. Ferris	CEO	2008	95,789	-	-	29,929	125,718
	Chairman	2007	101,575	37,111	-	-	138,686
	YTD	2009	-	-	*	-	-
H.Frank Stanley	Director	2008	-	-	-	-	-
		2007	-	37,111	-	-	37,111
	YTD	2009	90,000	-	*	36,460	126,460
Matt Burlend	VP/Secretary						
	Director						

As of May 13, 2008, the new management implemented a policy that no VirTra executive or employee will make over $100,000 in base salary, compensation above $100,000 will be performance based.

* On March 31, 2009 the Board of Directors signed a resolution that authorized the compensation of the board of directors beginning as of January 1, 2009. Each member of the board of directors is to receive 50,000 stock option shares per quarter. The CEO of the Company is to receive an additional 100,000 stock option shares per quarter. The Secretary of the Company is to receive an additional 50,000 stock option shares per quarter. Strike price for the quarterly options is the closing price of the stock on the first day of the quarter.

* Option Summary for Executives

Options Earned	Expiring	Strike Price	Outstanding 12/31/08	New Grants	Exercises	Outstanding 12/31/09
Q1 2009	6/16/16	$ 0.03	-	150,000	-	150,000
Q2 2009	6/16/16	$ 0.03	-	150,000	-	150,000
Q3 2009	6/30/16	$ 0.05	-	150,000	-	150,000
Q4 2009	9/30/16	$ 0.089	-	150,000	-	150,000
Q1 2009	6/16/16	$ 0.03	-	50,000	-	50,000
Q2 2009	6/16/16	$ 0.03	-	50,000	-	50,000
Q3 2009	6/30/16	$ 0.05	-	50,000	-	50,000
Q4 2009	9/30/16	$ 0.089	-	50,000	-	50,000
Q1 2009	6/16/16	$ 0.03	-	100,000	-	100,000
Q2 2009	6/16/16	$ 0.03	-	100,000	-	100,000
Q3 2009	6/30/16	$ 0.05	-	100,000	-	100,000
Q4 2009	9/30/16	$ 0.089	-	100,000	-	100,000
			-	1,200,000	-	1,200,000

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows, as of December 31, 2009, information about equity securities we believe to be owned of record or beneficially by:

* each of our directors
* each person who owns beneficially more than 5% of any class of our outstanding equity securities; and
* all of our directors and executive officers as a group

Name and Address of Beneficial Owner	Officer or Director	Amount of Beneficial Ownership	Percent of Class
Robert Ferris 1406 W. 14th St., Ste. 101 Tempe, AZ 85281	Director	6,492,750	4.44%
H. Frank Stanley 1406 W. 14th St., Ste. 101 Tempe, AZ 85281	Director	1,091,501	0.75%
Matt Burlend 1406 W. 14th St., Ste. 101 Tempe, AZ 85281	Director	-	0.00%

The beneficial owners of securities listed above have sole investment and voting power with respect to such shares. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage of any other person.

B. Legal/Disciplinary History

We are not aware of any legal and or disciplinary history on any member of VirTra's management team.

C. Disclosure of Family Relationships

There are no family relationships between any member of VirTra's management team.

D. Disclosure of Related Party Transactions

There were no material related party transactions.

E. Disclosure of Conflicts of Interest

We are not aware of any conflicts of interest with VirTra's management team.

XII. Financial information for the issuer’s most recent fiscal period.

See the following financial statements and accompanying notes.

VIRTRA SYSTEMS INC.

Balance Sheets as of December 31, 2009 and December 31, 2008

	12/31/09 (Unaudited)	12/31/08 (Unaudited)
ASSETS		
Cash and cash equivalents	$ 109,981	$ 101,960
Accounts receivable, net of allowances	1,295,695	703,553
Costs and estimated earnings in excess of billings on uncompleted contracts	289,613	-
Prepaid expenses	-	-
Total current assets	1,695,289	805,513
Property and equipment, net of accumulated depreciation of $518,556 and $451,727, respectively	812,429	62,587
Intellectual property (see Note 11 and 13), net of accumulated amortization of $468,168 and $0, respectively	6,415,655	6,600,000
Other assets	14,168	32,197
Total non-current assets	7,242,252	6,694,784
TOTAL ASSETS	$ 8,937,541	$ 7,500,297
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Obligations under product financing arrangements	$ -	$ 12,650
Accounts payable	186,512	35,615
Accrued liabilities	909,930	1,565,105
Stock payable	-	50,000
Billings in excess of costs and estimated earnings on uncompleted contracts	-	468,140
Total current liabilities	1,096,442	2,131,510
Loan - Land	535,000	-
Redeemable common stock	1,859	1,859
Total non-current liabilities	536,859	1,859
TOTAL LIABILITIES	1,633,301	2,133,369
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $.005 par value, 500,000,000 shares authorized, 146,331,254 and 136,204,154 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	731,656	681,021
Additional paid in capital	11,755,975	11,284,310
Accumulated deficit	(5,183,391)	(6,598,403)
Total shareholders' equity	7,304,240	5,366,928
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,937,541	$ 7,500,297

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

VIRTRA SYSTEMS, INC.

Statements of Operations for the Three Months Ended December 31, 2009 and 2008 and Year Ended December 31, 2009 and 2008

	Three Months Ended December 31,		Year Ended December 31,	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
REVENUE				
New system sales	$ 1,410,965	$ 594,286	$ 4,349,601	$ 2,424,075
Other revenue	65,291	118,331	262,016	483,289
Total Revenues	1,476,256	712,617	4,611,617	2,907,364
Cost of sales and services	448,434	310,292	1,557,585	1,618,127
Gross margin	1,027,822	402,325	3,054,032	1,289,237
OPERATING EXPENSES				
General and administrative expenses	460,555	177,595	1,581,574	775,860
Income/(Loss) from operations	567,267	224,730	1,472,458	513,377
OTHER INCOME AND (EXPENSE) ITEMS:				
Forgiveness of debt income	-	666,727	-	761,399
Gain/(loss) on litigation settlements	-	-	-	906,024
Interest expense and finance charges	(8,366)	6,376	(66,840)	(226,726)
Gain/(loss) on derivative liability	-	-	-	338,135
Other income and expense	(6,252)	6,957,699	9,394	6,959,375
Total other income and expense items	(14,618)	7,630,802	(57,446)	8,738,207
Net income/(loss)	552,649	7,855,532	1,415,012	9,251,584
Weighted average shares outstanding - basic and fully diluted	144,824,687	132,777,524	140,676,229	130,002,105
Net gain(loss) per share - basic and fully diluted	$ 0.0038	$ 0.0592	$ 0.0101	$ 0.0712

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

VIRTRA SYSTEMS, INC.

Statement of Stockholders' Equity for the Year Ended December 31, 2009
(Unaudited)

	Common Stock				
	Shares	**Amount**	**Additional Paid In Capital**	**Accum. Deficit**	**Total**
Balance at December 31, 2008	136,204,154	$ 681,021	$11,284,310	$ (6,598,403)	$ 5,366,928
Net Income, Three Months Ended 3/31/09				218,275	218,275
Balance at March 31, 2009	136,204,154	$ 681,021	$11,284,310	$ (6,380,128)	$ 5,585,203
Dutchess Share Conversion	450,000	2,250	11,250	-	13,500
Dutchess Share Conversion	451,000	2,255	8,569	-	10,824
Investor Issuance – Mazuma Holding Corp	1,000,000	5,000	30,000	-	35,000
Dutchess Share Conversion	1,500,000	7,500	28,500	-	36,000
Buy Back – Pine Springs Capital	(5,000,000)	(25,000)	(40,000)	-	(65,000)
Net income, three months ended 6/30/09				279,602	279,602
Balance at June 30, 2009	134,605,154	$ 673,026	$11,322,629	$ (6,100,526)	$ 5,895,129
Dutchess Share Conversion	400,000	2,000	7,600	-	9,600
Dutchess Share Conversion	401,000	2,005	9,864		11,869
Investor Issuance – Mazuma Holding Corp	1,000,000	5,000	27,500	-	32,500
Dutchess Share Conversion	800,000	4,000	19,680		23,680
Investor Issuance – Mazuma Holding Corp	1,000,000	5,000	28,000	-	33,000
Investor Issuance – Mazuma Holding Corp	1,000,000	5,000	40,000	-	45,000
Dutchess Share Conversion	950,000	4,750	40,850		45,600
Investor Issurance – Phil Kleet	625,000	3,125	21,875		25,000
Investor Issuance – Jaime Barnard	1,250,000	6,250	43,750	-	50,000
Net income, three months ended 9/30/09				364,486	364,486
Balance at September 30, 2009	142,031,154	$ 710,156	$11,561,748	$ (5,736,040)	$ 6,535,864
Stock Option Exercise	1,000,000	5,000	-	-	5,000
Dutchess Share Conversion	800,000	4,000	39,520	-	43,520
Dutchess Share Conversion	500,000	2,500	31,100	-	33,600
Dutchess Share Conversion	500,100	2,500	31,107	-	33,607
Investor Issuance – Mazuma Holding Corp	1,500,000	7,500	92,500	-	100,000
Net income, three months ended 12/31/09				552,649	552,649
Balance at December 31, 2009	146,331,254	$ 731,656	$11,755,975	$ (5,183,391)	$ 7,304,240

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

VIRTRA SYSTEMS, INC.

Statements of Cash Flows for the Year Ended December 31, 2009 and 2008
(Unaudited)

	Year Ended December 31, 2009	Year Ended December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 1,415,012	$ 9,251,584
Adjustments to reconcile net loss to net cash provided by/(used in) operations:		
Depreciation and amortization	534,997	40,507
Gain on sale of assets	-	-
Impairment of Assets	-	-
Change in fair value of derivative	-	(338,135)
Bad debt expense	-	-
Common stock issued for services and settlement	-	101,407
Grant of options and warrants to employees, officers and directors	-	-
(Gain)/loss on settlement of litigation	-	(906,024)
Amortization/impairment of debt discount	-	114,141
Changes in operating assets and liabilities:		
Accounts receivable	(592,142)	(518,517)
Prepaid expenses and other	18,029	265,439
Costs in excess of billings/(billings in excess of costs) and estimated earnings on uncompleted projects	(757,753)	470,706
Accounts payable and accrued liabilities	(159,854)	(1,644,551)
Capitalized intellectual property	-	(6,600,000)
Related party payables	-	(81,111)
Other current liabilities	(83,114)	-
Net cash provided by/(used in) operating activities	375,175	155,446
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(281,671)	(47,632)
Capitalized development costs	(283,823)	-
Net cash provided by/(used in) investing activities	(565,494)	(47,632)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common stock issuance to accredited investors and others	325,500	-
Principal payments to Dutchess in cash, and notes payable	(62,160)	(22,500)
Buy-back common stock	(65,000)	-
Net cash provided by/(used in) financing activities	198,340	(22,500)
Net change in cash and cash equivalents	8,021	85,314
Cash and cash equivalents, beginning of period	101,960	16,646
Cash and cash equivalents, end of period	$ 109,981	$ 101,960

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

Notes to Financial Statements

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation
The accompanying un-audited interim financial statements may not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been included. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the respective full year.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Revenue Recognition
Revenue from contracts (such as simulator sales) are recognized on a percentage-of-completion basis, measured by the percentage of costs incurred to date to total estimated costs for each contract. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. General and administrative costs are charged to expense as incurred.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to cost and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenue recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent amounts billed in excess of revenue recognition.

Credit Risk
The Company maintains its cash in well known banks selected based upon management's assessment of the banks' financial stability and utilize multiple accounts to reduce risk. Balances periodically exceed the $250,000 federal depository insurance limit; however, the Company has not experienced any losses on deposits.

Accounts receivable generally arise from sales of equipment and services to various clients throughout the world. Collateral is generally not required for domestic government customers but significant deposits are required for most international customers.

At December 31, 2009 we had no reserve for doubtful accounts as all material amounts of our receivables appear to be collectible.

Cash Equivalents
For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. We had no cash equivalents at December 31, 2009.

Property and Equipment
Property and Equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Expenditures for major renewals and betterments that extend the original estimated economic useful lives of the applicable assets are capitalized. Expenditures for normal repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in operations.

Shipping and Delivery Costs
The cost of shipping and delivery is charged directly to cost of sales and services at the time of shipment.

Income Taxes
The Company uses the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial amounts at year-end. The Company provides a valuation allowance to reduce deferred tax assets to their net realizable value.

Income (Loss) Per Share
Basic income (loss) per share is computed on the basis of the weighted average number of shares of common stock outstanding during each period.

Fair Value of Financial Instruments
The Company includes fair value information in the notes to financial statements when the fair value of its financial instruments is different from book value. When the book value approximates fair value, no additional disclosure is made.

Note 2 – Going Concern

As reflected in the accompanying financial statements and prior reports, the Company has had operating profits each and every quarter since 2nd quarter 2008. However, there is no guarantee that the Company will continue with profitable operations in the future.

If the Company is forced to liquidate its assets in an attempt to pay creditors at which time the assets on the accompanying balance sheet will be liquidated at amounts possibly substantially less than reported. It is therefore possible that, should the Company be forced to liquidate, there will be insufficient cash to pay all creditors and provide the Company's shareholders a return on their investment.

Note 3 – Dutchess Liabilities

In August 2005 the Company issued $500,000 in convertible debentures to Dutchess Private Equities Fund I, LLC. The debentures bore interest at 8% per year payable in cash or registered common stock at the Company's option. The debentures were to mature in August 2008 and are convertible, at the option of the holder, to shares of the company's common stock at a conversion price per share equal to the lower of (i) 80% of the lowest closing bid price for the common stock for the fifteen days prior to the conversion date; or (ii) 125% of the volume weighted average price on the closing date.

In addition, the Company issued to the holders of the convertible debentures warrants to purchase 500,000 shares of the Company's common stock.

On March 15, 2008 our corporate counsel advised us that the total amount of liability to Dutchess is estimated at $1,421,264. Dutchess then received a judgment for $1.121 million and 1,650,000 shares of stock. This change is reflected in the second quarter results in 2008.

On September 30, 2008 VirTra Systems, Inc. entered into a Settlement and Release Agreement with Dutchess. The agreement states that VirTra agrees to pay Dutchess $550,000 in stock or cash without a prepayment penalty. No interest shall accrue on the Principal Settlement Amount. This agreement supersedes and clears all prior obligations with Dutchess. As of December 31, 2009 the total amount owed to Dutchess was $215,584.

Dutchess Conversion History since Settlement and Release Agreement:

Date Requested	Conversion Amount	Liability Balance	Share price	Shares	Shares / Wire
		$550,000.00			
10/1/2008	$2,000.00	$548,000.00	0.008	250,000	shares
10/23/2008	$1,680.00	$546,320.00	0.0056	300,000	shares
12/1/2008	$2,240.00	$544,080.00	0.0056	400,000	Wire (no shares given)
12/9/2008	$2,240.00	$541,840.00	0.0056	400,000	Wire (no shares given)
12/16/2008	$2,296.00	$539,544.00	0.0056	410,000	Wire (no shares given)
1/7/2009	$4,000.00	$535,544.00	0.008	500,000	Wire (no shares given)
1/21/2009	$1,920.00	$533,624.00	0.0096	200,000	Wire (no shares given)
2/11/2009	$3,520.00	$530,104.00	0.0088	400,000	Wire (no shares given)
3/4/2009	$4,800.00	$525,304.00	0.0096	500,000	Wire (no shares given)
3/16/2009	$4,320.00	$520,984.00	0.0096	450,000	Wire (no shares given)
4/1/2009	$3,000.00	$517,984.00	0.012	250,000	Wire (no shares given)
4/16/2009	$7,000.00	$510,984.00	0.02	350,000	Wire (no shares given)
5/18/2009	$13,500.00	$497,484.00	0.03	450,000	shares
6/3/2009	$10,824.00	$486,660.00	0.024	451,000	shares
6/12/2009	$36,000.00	$450,660.00	0.024	1,500,000	shares
6/29/2009	$9,600.00	$441,060.00	0.024	400,000	shares
8/17/2009	$11,869.00	$429,191.00	0.0296	401,000	shares
8/25/2009	$23,680.00	$405,511.00	0.0296	800,000	shares
9/21/2009	$33,600.00	$371,911.00	0.0336	1,000,000	Wire (no shares given)
9/24/2009	$45,600.00	$326,311.00	0.048	950,000	shares
10/7/2009	$43,520.00	$282,791.00	0.0544	800,000	shares
11/3/2009	$33,600.00	$249,191.00	0.0672	500,000	shares
11/11/2009	$33,607.00	$215,584.00	0.0672	500,100	shares

Derivative Liability
Based on the judgment described above, the Company concluded that these convertible debentures have no further rights or obligations arising out of the financing relationship.

At June 30, 2008, the Company has valued this derivative liability at $0 and has recognized a gain resulting from the change in value of this derivative liability of $338,135.

Note 4 - Stock Options

The Company periodically issues incentive stock options to key employees, officers, directors, and outside consultants to provide additional incentives to promote the success of the Company's business and to enhance the ability to attract and retain the services of qualified persons.

In addition to the Directors options listed above (see part D, section XI, item A), the Company has the following options outstanding at December 31, 2009 (2009 Stock Option Incentive Plan).

Issued	Expire	Weighted Avg Exercise Price	Outstanding 04/30/09	New Grants	Expiring	Exercises	Outstanding 12/31/09
2009	2016	$ 0.005	5,000,000	-	-	-	5,000,000
2009	2016	$ 0.04	4,960,000	-	-	43,438	4,916,562
			9,960,000	-	-	-	9,916,562

VirTra deregistered its stock with the SEC in June 2008. The Corporation's deregistration of its stock terminated the Corporation's ability to issue registered and freely tradable stock to its employees under the Securities Act. On April 30, 2009 the Board of Directors resolved that the previous stock option plans be cancelled and adopted a new stock option plan detailed above. Due to deregistration with the SEC, any stock issued under the new stock option plan would be restricted (cannot sell for a period of one year).

Note 5 - Common Stock Transactions

See the Statement of Stockholders Equity for details of the transactions and the reporting periods in which the transactions occurred.

Note 6 - Accrued Liabilities

The following table summarizes the major items included in Accrued Liabilities at December 31, 2009 and December 31, 2008:

	12/31/09	12/31/08
Accrued payroll taxes, including penalties and interest	$ 619,888	$ 952,591
Dutchess Liability	215,584	539,544
Deferred revenue	12,769	36,461
Other	61,689	36,509
Total Accrued Liabilities	**$ 909,930**	**$ 1,565,105**

Note 7 - Cost and Estimated Earnings in Excess of Billings (and Billings in Excess of Costs and Estimated Earnings) on Uncompleted Contracts

During 4th Quarter 2009, we had six large projects in the production stage. Our percentage of completion is based on total costs incurred to date compared to the estimated total cost of each contract. Of the partially completed work at December 31, 2009, we have incurred some of the costs on contracts totaling $2,100,415 of total revenue. We estimate that we will incur additional costs and do not expect to incur any losses on our uncompleted contracts. Our costs and estimated earnings in excess of billings on uncompleted contracts total was $289,613 at December 31, 2009.

Note 8 - Other Assets

Other assets at December 31, 2009 are comprised of rental deposits.

Note 9 – Unpaid Payroll Taxes

Ferris Productions, Inc. had certain payroll tax liabilities which we inherited upon the combination of GameCom, Inc. and Ferris Productions. The combined company also incurred payroll tax liabilities. These liabilities are for unpaid payroll taxes between 2000 and 2003. The total amount of this liability, including principal and interest, is $619,888 at December 31, 2009.

We entered into an agreement with the Internal Revenue Service during 2008 to repay the full amount of the liability in quarterly installments of gradually increasing amounts. The repayment arrangement began in March 2008 at $25,000 per quarter. This amount increases to $50,000 per quarter in March 2009 and graduates to $75,000 per quarter in March 2010 until the liability is fully paid.

VirTra is current with these IRS payments as of December 31, 2009 and made an additional principal payment of $161,444 during the second quarter 2009.

Note 10 – Related Party Transactions

Some employees of the company use their personal credit cards for company expenses. If an expense report is submitted near quarter end without time to be paid off, it will appear as a balance owed until such time as it is paid off. The 2008 payable to related party was reduced during the year and paid off fully by December 2008.

Note 14 describes the land purchase transaction, which provides no financial benefit to a related party.

Note 11 – Capitalized Development Costs

VirTra has continued to employ qualified individuals for the exclusive purpose of scenario creation and the development of simulation software. At December 31, 2009 we had recorded $283,823 in development cost (Q1 through Q4) which represents resources used during the year. These costs were not included in the $6,600,000 recorded for Intellectual Property. See note 13. The costs were calculated from payroll for the actual hours spent in both creation and development as well as any other direct costs. These costs will continue to be capitalized in the future, under the description of Intellectual Property, and will be amortized over 5 to 15 years depending on the useful life of the development. Amortization of these costs, and the intellectual property, was $468,168 at December 31, 2009.

Note 12 – Accounts Payable

Research was made into accounts payable and some accounts were written off or correctly written down at December 31, 2008. Certain legacy balances were also negotiated and settled for amounts substantially less than the recorded balance. Therefore, $419,228 was recorded as other income and $77,356 was recorded as forgiveness of debt income due to the debts being settled for less than the amounts previously recorded.

Note 13 – Intellectual Property

Prior to becoming a profitable company, VirTra expensed research and development costs as the market value of our developments was unknown. After two consecutive profitable quarters as a company and the judgment that VirTra's current intellectual property has market value, VirTra engaged Dr. Kenneth Lehrer of Lehrer Financial and Economic Advisory Services in February 2009 to perform an independent third party evaluation of VirTra's intellectual property as of December 31, 2008.

Dr. Lehrer considered five different valuation approaches. The discounted net cash flow approach was used in the valuation. Four scenarios were presented under the discounted cash flow model and the final analysis was an estimated value of $6,600,000 for the intellectual property of VirTra as of December 31, 2008. Therefore, the Company has capitalized and recorded $6.6 million as the value of its intellectual property assets.

This amount is based upon the valuation methods utilized in the valuation report. Other factors that were brought to bear in determining the final valuation are – quantity and quality of the individual information available, the experience, judgment and education of the appraiser, Dr. Kenneth Eugene Lehrer and the degree of confidence placed on each valuation technique by the appraiser in regard to the specific "concept" or "idea" under analysis.

Note 14 – Land Purchase

During 2009, VirTra management became aware of a unique piece of land that was the right size for a future VirTra headquarters, positioned in a good location, and was offered at a very attractive price by a motivated seller.

Due to the debt owed to the IRS, the entity of VirTra Systems, Inc. was unable to purchase the land directly.

On December 8, 2009 Ferris Properties, LLC. (owed by Bob Ferris, CEO of VirTra and Nichieli Ferris) signed a promissory note for the purchase of approximately 2.2 acres of improved land in Chandler, Arizona from McClintock and Galveston, LLC. The intention is to eliminate the IRS debt and, in the future, obtain a building loan to begin construction of a VirTra headquarter building on this land.

The purchase price for the land is $695,000, approximately $160,000 has already been invested. The remaining amount owed is in the form of a $535,000 loan from the seller to Ferris Properties, LLC and must make interest-only payments at a rate of 4% per annum ($1,783.33 per month) starting on December 8, 2009 until November 30, 2010. If the building loan has not begun by November 30th, 2010, then Ferris Properties would pay $10,000 per month plus 5.5% per annum until June 1, 2011 at which time the note is due unless renegotiated.

The transaction is a straight pass-through, whereby Ferris Properties, LLC charges no fees and no expenses to VirTra Systems. All costs and payments imposed by the seller (McClintock and Galveston, LLC) are paid by VirTra Systems, Inc. As soon as permitted, the liability, deed and 100% ownership interest in the land will be transferred to VirTra Systems at no profit to Ferris Properties, LLC.

XIII. Similar Financial Information for such part of the two preceding fiscal years as the issuer.

See **Forms 10-KSB** on the US Securities and Exchange Commission's EDGAR reporting system for the year ended December 31, 2007. Filing Dates 2008-04-15. Link to the reports below. You may need to copy and paste the link below to your browser.

http://www.sec.gov/cgi-bin/browse-edgar?company=&CIK=VTSI&filenum=&State=&SIC=&owner=include&action=getcompany

XIV. Beneficial Owners.

No person beneficially owns more than 5% of any class of the Company's stock.

XV. The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure.

Intellectual Property Counsel
Lowell W. Gresham
Meschkow & Gresham, P.L.C.
5727 North 7th Street, Suite 409
Phoenix, Arizona 85014
telephone (602) 274-6996
telecopier (602) 274-6970
e-mail LWG@patentmg.com

Securities Counsel
Samuel E. Whitley
Whitley Law Group, P.C.
1001 South Dairy Ashford, Suite 100
Houston, Texas 77077

telephone (281) 668-9200
telecopier (866) 512-7794
e-mail swhitley@whitleylawgroup.com

Certified Public Accountant
Jeffery D. Brown, CPA
Jeffrey D. Brown, CPA, PLC
2651 W. Guadalupe Road Suite 102
Mesa, Arizona 85202
telephone (480) 820-6767
telecopier (480) 820-6565
e-mail jeffcpa@Cox.net

Independent Financial Reporting Counsel
Darrin De Lange
1959 S. Power Road Ste. 103-137
Mesa, Arizona 85206-4398
telephone (480) 766-8702
telecopier (866) 354-3363
e-mail Darren.DeLange@azbar.org

XVI. Management's discussion and Analysis or Plan of Operation.

A. Plan of Operation.

The world can be a very dangerous place. Both soldiers and law enforcement officers are expected to make the correct decision, with excellent marksmanship, in split-second life-and-death situations. The better and more realistic the training, the greater the chance the trainee will succeed when lives hang in the balance and threats are real! Customers buy our simulator for realistic training so that a trainee has a better chance to survive lethal encounters as well as avoid the injury or death of others, whenever it is avoidable.

VirTra Systems has created the world's most realistic judgment and firearm training systems for law enforcement, security or military personnel around the world. VirTra has several exclusive capabilities such as high-resolution video across multiple screens, proprietary Hybrid-CGI™ software (green-screen HD video), the patent-pending Threat-Fire™ shoot-back system, and the most realistic training scenario library in the world. These exclusive simulation features give our distributors a real advantage in competing for simulation sales in their territories. VirTra is becoming a prized brand in other countries and 100% of every distributor who has our simulator for demonstration in their territory has been successful. When the quality of training is important, customers seem to prefer VirTra's line of simulators.

VirTra's plan of operations includes the following main points:

1. Customers – VirTra will provide excellent service, will develop new scenarios and continue to improve its simulation product line to maintain the lead as the 'premiere' firearm simulation company in the world.
2. Shareholders – One of VirTra's goals is to generate outstanding results for the shareholders.
3. Employees – VirTra attracts and maintains the best and brightest employees in the industry.
4. US Growth – An increase in marketing and awareness will likely lead to an increase in sales. VirTra plans to greatly increase tradeshow attendance for the leading US and international tradeshows.
5. International Growth – VirTra is increasing its support of international sales trips and distributors to increase international sales.
6. Equity and debt – VirTra will preserve equity and eliminate debt whenever it makes the most sense to the Company.

B. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overall, for the year ended December 31, 2009, VirTra made several record year-over-year improvements. Total revenue grew 58.6% compared to the prior year from $2,907,364 to a record $4,611,617. These results have been attained due to continued successful marketing and sales efforts and further sales penetration of our brand. Income from operations for the year grew 186.8% compared to the prior year from $513,377 to another record of $1,472,458.

For the quarter ended December 31, 2009 and 2008, gross revenue grew 107.2% from $712,617 to a record $1,476,256, due to continued successful marketing and sales efforts and further market penetration of our brand.

General and administration costs are higher from $177,595 for the Q4 ended 2008 up to $460,555 for Q4 ended 2009. The main differences are $118,263 amortization expense, hiring additional sales staff, increased tradeshow expenses, and increased sales related travel.

Net income from operations increased from $224,730 for 4th quarter 2008 to $567,267 (not adding back Amortization Expense of $123,531(AE)) for 4th quarter 2009. This is an increase in operating profit of 152.4%.

Net gain per share for the fourth quarter of 2009 was $.0038 compared to $.0712 per share in 2008. Fourth quarter 2008 had $7,624,426 of non-operational income (NOI) that is non-recurring (forgiveness of debt income, and gain on recording intellectual property).

Overall, VirTra has made consistent and substantial improvements in financial performance since the second quarter 2008. For quarter ended December 31, 2009, net income is $552,649 compared to $231,106 ($7,855,532(NI) - $7,624,426(NOI)) during Q4 2008. Net income improved by $321,543 in fourth quarter 2009 as compared with third quarter 2008. This was a 139.1% increase.

VirTra's cash on hand improved to $109,981 as of December 31, 2009 compared to $101,960 as of December 31, 2008. Also, Shareholder's equity increased over $1,937,000 to $7.30 million at Q4 ended from $5.37 million as of December 31, 2008.

C. Off-Balance Sheet Arrangements.

There are no current or pending off-balance sheet arrangements.

PART E ISSUANCE HISTORY

XVII. List of securities offerings and shares issued in the past two years. The Company had the following common stock transactions during the two years ended December 31, 2009:

Date	Shares Issued	Issued To	CEO when Commitment Originated	Notes
March 31, 2008	2,500,000	Jones and Cannon	Dalby	Settle remaining liability resulting from our settlement in 2007
October 13, 2008	250,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
October 30, 2008	300,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
November 17, 2008	1,000,000	Individual	Dalby	$50,000 investment made in 2007 (restricted stock)
November 20, 2008	5,000,000	Perry Dalby	Dalby	CEO compensation (restricted stock)
May 26, 2008	-5,000,000	Pine Springs Capital	Ferris	$65,000 buy-back of VirTra shares originally given to Perry Dalby
May 27, 2008	450,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
June 8, 2009	451,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
June 12, 2009	1,000,000	Mazuma	Ferris	$35,000 invested into the company
June 17, 2009	1,500,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
July 1, 2009	400,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
August 25, 2009	1,000,000	Mazuma	Ferris	$32,500 invested into the company
August 17, 2009	401,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
August 25, 2009	800,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
August 28, 2009	1,000,000	Mazuma	Ferris	$33,000 invested into the company
September 1, 2009	1,000,000	Mazuma	Ferris	$45,000 invested into the company
September 24, 2009	950,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
September 30, 2009	625,000	Individual	Dalby	$25,000 investment made in 2007 (restricted stock)
September 30, 2009	1,250,000	Individual	Dalby	$50,000 investment made in 2007 (restricted stock)
October 12, 2009	800,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
November 4, 2009	1,000,000	Individual	Jones	$5,000 Exercise of Stock Options (restricted one year)
November 5, 2009	500,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
November 13, 2009	500,100	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
November 23, 2009	1,500,000	Mazuma	Ferris	$93,715 invested into the company

A summary of common stock transactions originated or committed to by the current CEO, Robert Ferris, is listed below:

Date	Shares Issued	Issued To	CEO when Commitment Originated	Notes
May 26, 2008	-5,000,000	Pine Springs Capital	Ferris	$65,000 buy-back of VirTra shares originally given to Perry Dalby
June 12, 2009	1,000,000	Mazuma	Ferris	$35,000 invested into the company
August 25, 2009	1,000,000	Mazuma	Ferris	$32,500 invested into the company
August 28, 2009	1,000,000	Mazuma	Ferris	$33,000 invested into the company
September 1, 2009	1,000,000	Mazuma	Ferris	$45,000 invested into the company
November 23, 2009	1,500,000	Mazuma	Ferris	$93,715 invested into the company
Net Shares Issued:	500,000			$174,215 net invested into the company

PART F EXHIBITS

XVIII. Material Contracts.

There are no material contracts in force as of December 31, 2009.

XIX. Articles of Incorporation and Bylaws.

See Pinksheets.com posting of the Article of Incorporation, Articles of Amendment and Articles of Correction posted for the reporting period end date 9/30/2008.

See Pinksheets.com for a posting of the Company's By-laws.

XX. Purchase of Equity Securities by the Issuer and Affiliated Purchasers.

VirTra bought back 5,000,000 shares of their common stock, on May 26, 2009, from Pine Springs Capital for $65,000 in cash. Perry Dalby (previous VirTra CEO) sold the November 20, 2008 shares to Pine Springs Capital.

XXI. Certifications of Chief Executive Officer.

I, Robert D. Ferris, certify that:

1. I have reviewed this Quarterly Disclosure Statement of VirTra Systems, Inc.;
2. Based on my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the Financial Statements and other financial information included or incorporated by reference in this Disclosure Statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 4, 2010

/s/ Robert D. Ferris
CEO/President