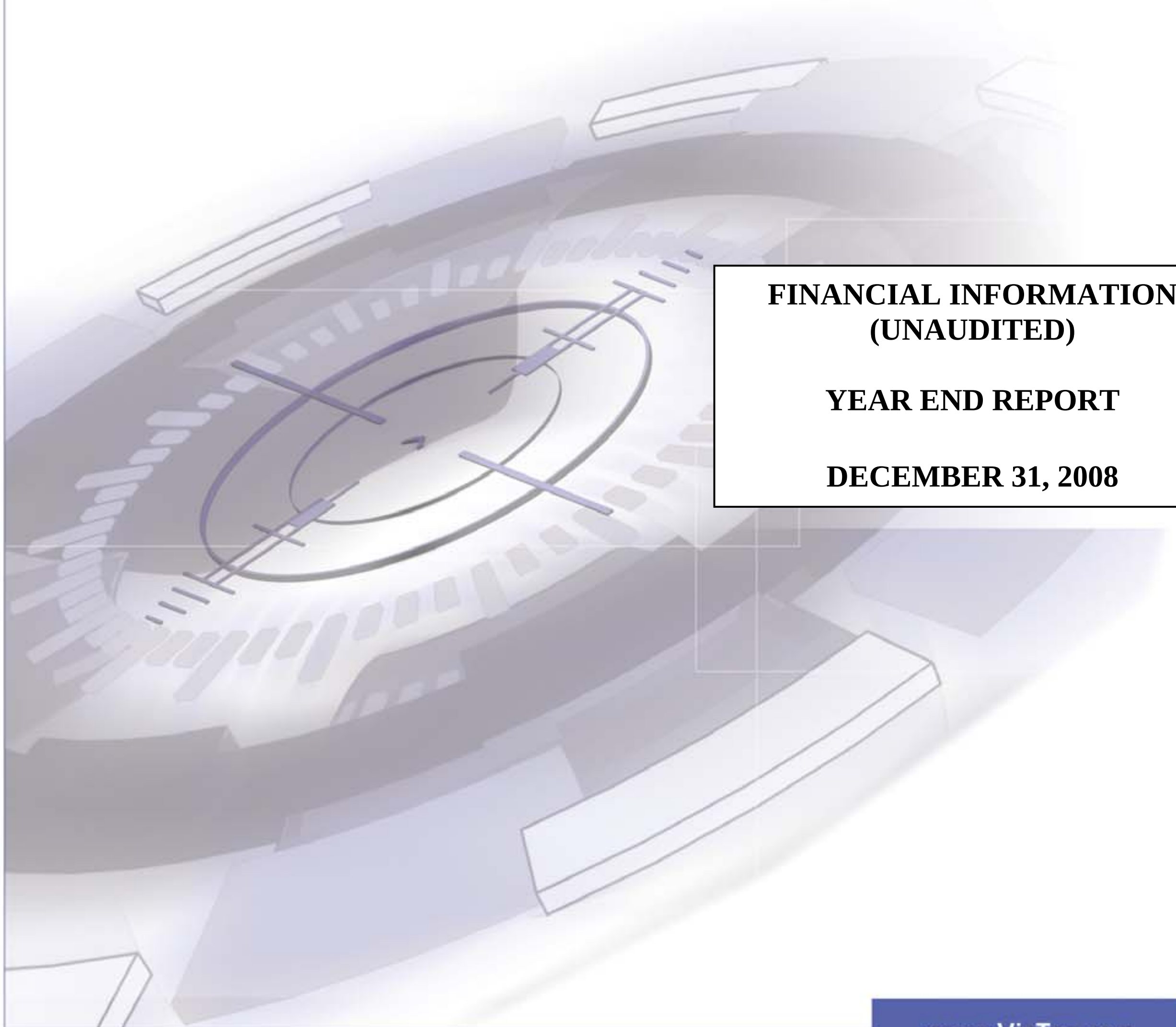
The Higher Standard in Virtual Training Simulation



FINANCIAL INFORMATION (UNAUDITED)

YEAR END REPORT

DECEMBER 31, 2008

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, 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**

(i)	**December 31, 2006**	
(ii)	**Number of shares authorized**	**500,000,000**
(iii)	**Total number of shares issued and outstanding**	**96,732,599**
(iv)	**Freely tradable shares (public float)**	**72,826,281**
(v)	**Total number of beneficial shareholders**	**2,777**
(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 "*immersive virtual reality*™" line of simulators, primarily to law enforcement and military organizations worldwide. We adopted a calendar year end, for tax and reporting purposes, since VirTra's inception.

We currently manufacture, market, and sell our *immersive virtual reality* products in two main markets: law enforcement and military. We offer two different versions of our IVR™ 360-degree high-definition 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 security officers, and the IVR 4G™, launched in December of 2004, for use in military firearms/marksmanship training, situational awareness, and "fourth-generation" squad-based training.

During the second quarter 2008, in order to reduce costs, we deregistered with the SEC on June 20th and closed our office at 2500 City West Blvd., Suite 300, Houston, Texas 77042. Our corporate administration was moved to the existing engineering, production offices, 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.

During calendar year 2006, VirTra issued 30,748,999 shares of common stock. This was an increase of 46.6%. The stock was issued for services, cash, debt reduction, and debenture conversions. During calendar year 2007, VirTra issued 30,421,555 shares of common stock. These issues increased total stock issued and outstanding by 31.4%. The stock was issued for services, cash, debenture conversions, Board remuneration, settlement of lawsuit, and extinguishment of debt.

B. Business of Issuer

Our principal business began in 1993 with the organization of Ferris Productions, Inc. Ferris Productions is 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-definition (HD) 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 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 have now begun to capitalize on-going development costs beginning in the fourth quarter 2008 for a total $62,587. See Note 14 and Note 17 to our Financial Statements.

Company Employees

VirTra Systems, Inc. number of employees fluctuates for time to time, at the highest point VirTra employees approximately 26 people of which roughly 12 are full-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.

For over 15 years, 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

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-definition 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 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.

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 components of the systems are so realistic it can make a trainee feel a nearby explosion, simulate the noise of a busy street, or even make you believe a helicopter is overhead. The unique combination of HD 360-degree visuals, powerful audio, and return fire capabilities create 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. The recoil kits simply fit into a trainee's actual weapon, or can be placed in a dedicated training weapon. VirTra's recoil systems are the most reliable on the market and they use safe and inexpensive CO2. We 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 as well as less lethal options.

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 countries throughout the world, and has some of the finest local agents to represent our product line. Training professionals from nearly every major country are quickly finding 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.

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 no viable competitors to VirTra Systems' multi-screen HD 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.

Firearms Training Systems, Inc. ("FATS") claims to have thousands of training systems installed worldwide by military, law enforcement, and commercial customers. FATS is a full service training/simulation company that also uses video scenarios with single-screen technology for law enforcement. For military use, FATS produces multi-screen computer generated systems that appear to be several generations behind current technology. FATS also produces other types of simulators and recoil weapons. AIS, Cubic and FATS products are similar in many respects, although FATS has been in the market longer. Most all of FATS 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-definition video training on multiple screens (Hybrid-CGI). This company is directly competing with VirTra Systems for the same customers in some cases. Most all of Laser Shot's revenue is from military sales.

MPRI (L-3 Company) is a supplier of single-screen, low-cost simulation equipment to law enforcement or military. MPRI is owned by L-3 and also owns the Beam-hit brand.

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, since these industries are fluid and, at times, rapidly expanding.

Major Customers
VirTra has international revenue of approximately 30% of revenue which comes from multiple distributors who sell to a variety of customers. Domestic customers are not excessively concentrated with four over 10%. They are at 15%, 13%, 12%, and 11% of current year revenue. These were large deals that consistently shift among different customers on an ongoing basis. All other domestic customers are individually 7% and below for overall revenue.

Trademarks/Patents
We have obtained a patent for our Universe Control Board™, and various federal trademarks.

On December 3, 2004, in advance of product debut, we submitted three separate provisional patent applications for innovations in the field of firearms training. These included: 1) the Threat-Fire™ Belt, 2) our Hybrid-CGI™ software, and 3) a "drop-in" kit and magazine for wireless recoil in real weapons.

Currently, the Threat-Fire™ patent application is still active. All other patent applications have been denied.

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

Our corporate and production offices were consolidated in early 2008. The 8,000 sq. foot facility is located in Tempe, Arizona, in leased space that costs $7,938 per month. Our lease expires in October 2009.

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 forth 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	37	Chief Executive Officer and Chairman of the Board of Directors	05/13/08
H. Frank Stanley	42	Director	07/28/06
Matt Burlend	34	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 and was the only student selected for Neutron Beam Research as part of the SDI (Strategic Defense Initiative). Also, 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 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 is presently a real estate development executive with Cushman & Wakefield in Houston.

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 year ended December 31, 2008 and 2007.

Name	Principal Position	Year	Salary	Stock Awards	Option Awards	All Other Comp.	Total
Robert D. Ferris	CEO/President	2008	95,789	-	-	29,929	125,718
	President	2007	101,575	37,111	-	-	138,686
H.Frank Stanley	Director	2008	-	-	-	-	-
		2007	-	37,111	-	-	37,111

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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows, as of December 31, 2008, 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	6,352,750	4.66%
H. Frank Stanley 1406 W. 14th St., Ste. 101 Tempe, AZ 85281	Director	1,091,501	0.80%

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. See Note 13 to the financial statements.

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, 2008 and 2007

	12/31/08 (Unaudited)	12/31/07
ASSETS		
Cash and cash equivalents	$ 101,960	$ 16,646
Accounts receivable, net of allowances	703,553	185,036
Costs and estimated earnings in excess of billings on uncompleted contracts	-	2,566
Prepaid expenses	-	350,200
Total current assets	805,513	554,448
Property and equipment, net of accumulated depreciation of $429,340 and $411,210, respectively	62,587	55,461
Intellectual property (see Note 17)	6,600,000	-
Other assets	32,197	14,530
Total non-current assets	6,694,784	69,991
TOTAL ASSETS	$ 7,500,297	$ 624,439
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Notes payable	$ -	$ 30,000
Obligations under product financing arrangements	12,650	388,636
Convertible debentures, net of discount of $0 and $114,141, respectively	-	172,286
Derivative liability	-	338,135
Accounts payable	35,615	869,726
Accrued liabilities	1,565,105	2,619,614
Stock payable	50,000	50,000
Advanced held on deposit	-	59,137
Billings in excess of costs and estimated earnings on uncompleted contracts	468,140	-
Payable to related party	-	81,111
Total current liabilities	2,131,510	4,608,645
Redeemable common stock	1,859	1,859
Total non-current liabilities	1,859	1,859
TOTAL LIABILITIES	2,133,369	4,610,504
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $.005 par value, 500,000,000 shares authorized, 136,204,154 and 127,154,154 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively	681,021	635,771
Additional paid in capital	11,284,310	11,228,153
Accumulated deficit	(6,598,403)	(15,849,989)
Total shareholders' equity (deficit)	5,366,928	(3,986,065)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 7,500,297	$ 624,439

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

VIRTRA SYSTEMS, INC.

Statements of Operations for the Three Months and Year Ended December 31, 2008 and 2007
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2008	**2007**	**2008**	**2007**
REVENUE				
New system sales	$ 594,286	$ 234,984	$ 2,424,075	$ 2,015,654
Other revenue	118,331	182,588	483,289	229,441
Total Revenues	712,617	417,572	2,907,364	2,245,095
Cost of sales and services	310,292	264,597	1,618,127	755,797
Gross margin	402,325	152,975	1,289,237	1,489,298
OPERATING EXPENSES				
General and administrative expenses	177,595	287,565	775,860	2,084,732
Income/(Loss) from operations	224,730	(134,590)	513,377	(595,434)
OTHER INCOME AND (EXPENSE) ITEMS:				
Forgiveness of debt income	666,727	(95,549)	761,399	-
Gain/(loss) on litigation settlements	-	(162,994)	906,024	(162,994)
Impairment of assets	-	(50,012)	-	(50,012)
Interest expense and finance charges	6,376	(21,337)	(226,726)	(322,769)
Gain/(loss) on derivative liability	-	21,312	338,135	4,351
Gain on sales of assets	-	-	-	2,813
Other income and expense	6,957,699	-	6,959,375	-
Total other income and expense items	7,630,802	(308,580)	8,738,207	(528,611)
Net income/(loss)	7,855,532	(443,170)	9,251,584	(1,124,045)
Weighted average shares outstanding - basic and fully diluted	132,777,524	123,013,321	130,002,105	107,630,542
Net gain(loss) per share - basic and fully diluted	$ 0.059	$ (0.004)	$ 0.071	$ (0.010)

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

VIRTRA SYSTEMS, INC.

Statement of Stockholders' Deficit for the Year Ended December 31, 2008
(Unaudited)

	Common Stock				
	Shares	Amount	Additional Paid In Capital	Accum. Deficit	Total
Balance at December 31, 2007	127,154,154	$ 635,771	$11,228,153	$ (15,849,989)	$ (3,986,065)
Settlement of lawsuit	2,500,000	12,500	35,000		47,500
Imputed interest on notes	-	-	1,307		1.307
Net loss, three months ended 3/31/08				(518,221)	(518,221)
Balance at March 31, 2008	129,654,154	$ 648,271	$11,264,460	$ (16,368,210)	$ (4,455,479)
Net income, three months ended 6/30/08				1,063,634	1,063,634
Balance at June 30, 2008	129,654,154	$ 648,271	$11,264,460	$ (15,304,576)	$ (3,391,845)
Net income, three months ended 9/30/08				850,641	850,641
Balance at September 30, 2008	129,654,154	$ 648,271	$11,264,460	$ (14,453,935)	$ (2,541,204)
Dutchess Share Conversion	250,000	1,250	1,250		2,500
Dutchess Share Conversion	300,000	1,500	2,100		3,600
Investor Issuance	1,000,000	5,000	4,000		9,000
Forgive CEO Compensation	5,000,000	25,000	12,500		37,500
Net income, three months ended 12/31/08				7,855,532	7,855,532
Balance at December 31, 2008	136,204,154	$ 681,021	$11,284,310	$ (6,598,403)	$ 5,366,928

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

VIRTRA SYSTEMS, INC.

Statements of Cash Flows for the Year Ended December 31, 2008 and 2007
(Unaudited)

	Year Ended December 31,	
	2008	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 9,251,584	$ (1,124,045)
Adjustments to reconcile net loss to net cash provided by/(used in) operations:		
Depreciation and amortization	40,507	45,995
Gain on sale of assets	-	(2,813)
Impairment of Assets	-	88,074
Change in fair value of derivative	(338,135)	(4,351)
Bad debt expense	-	-
Common stock issued for services and settlement	101,407	368,219
Grant of options and warrants to employees, officers and directors	-	423,945
(Gain)/loss on settlement of litigation	(906,024)	162,994
Amortization/impairment of debt discount	114,141	141,651
Changes in operating assets and liabilities:		
Accounts receivable	(518,517)	221,748
Prepaid expenses and other	265,439	(364,730)
Costs in excess of billings/(billings in excess of costs) and estimated earnings on uncompleted projects	470,706	(27,512)
Accounts payable and accrued liabilities	(1,644,551)	98,230
Capitalized intellectual property	(6,600,000)	-
Related party payables	(81,111)	(1,141)
Other current liabilities	-	(118,582)
Net cash provided by/(used in) operating activities	155,446	(92,318)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(47,632)	(12,524)
Proceeds from the sale of assets	-	55,267
Net cash provided by/(used in) investing activities	(47,632)	42,743
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	-	-
Principal payments on notes payable	(22,500)	(100,000)
Proceeds from issuances of common stock	-	75,000
Net cash provided by/(used in) financing activities	(22,500)	(25,000)
Net change in cash and cash equivalents	85,314	(74,575)
Cash and cash equivalents, beginning of period	16,646	91,221
Cash and cash equivalents, end of period	$ 101,960	$ 16,646

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 do 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
Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents and accounts receivable.

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 companies throughout the world. Collateral is generally not required for domestic government customers but significant deposits are required for most international customers.

At December 31, 2008 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, 2008.

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.

Debt Issuance Costs
Debt issuance costs related to amounts financed are deferred and recognized, using the effective interest method, over the term of the related debt.

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. Diluted income (loss) per share is calculated by adjusting the outstanding shares by common equivalent shares from common stock options and warrants. There were no common stock equivalents included in diluted EPS at December 31, 2008 and 2007 as the effect would be anti-dilutive.

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 – Liquidation Value

The Company has no plans to liquidate assets, however in the improbable event that 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 – Prepaid Expenses

In 2007, we paid $350,200 for systems which were sold in 2008. At December 31, 2007, the cost of these systems was included in prepaid expenses. For the three months ended March 31, 2008, all systems were sold and we included the cost of these systems in cost of sales.

Note 4 - Convertible Debentures and Derivative Liability

In August 2005 the Company issued $500,000 in convertible debentures to Dutchess Private Equities Fund I, LLC. The debentures bear interest at 8% per year payable in cash or registered common stock at the Company's option. The debentures 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. Since this time, Dutchess has received a judgment for $1.121 million and 1,650,000 shares of stock. This change is reflected in the second quarter results.

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 prepayment penalty. No interest shall accrue on the Principal Settlement Amount. This agreement supersedes and clears all prior obligations with Dutchess. The first two requests from Dutchess were paid in stock and all further conversions have been paid in cash, leaving a liability of $539,544 at December 31, 2008. By paying Dutchess in cash for three conversions, VirTra avoided issuing 1,210,000 shares of stock during 2008.

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 5 - Stock Options and Warrants

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. Warrants are periodically issued in connection with financing arrangements.

The Company has the following options and warrants outstanding at December 31, 2008.

Issued	Expire	Weighted Avg Exercise Price	Outstanding 12/31/07	New Grants	Expiring	Exercises	Outstanding 09/30/08
2005	2010	$ 0.33	500,000	-	-	-	500,000
2005	2010	$ 0.34	250,000	-	-	-	250,000
2005	2010	$ 0.19	500,000	-	-	-	500,000
2005	2010	$ 0.33	500,000	-	-	-	500,000
2004	2009	$ 0.31	4,000,000	-	-	-	4,000,000
2006	2012	$ 0.04	3,000,000	-	-	-	3,000,000
2007	2014	$ 0.04	13,074,499		-	-	13,074,499
			21,824,499	-	-	-	21,824,499

Note 6 - Commitments and Contingencies

Garland and Leota Slagle v. VirTra Systems, Inc
On May 13, 2004, suit was filed against us in South Carolina state court, in cause number 04CP402455, styled *Garland and Leota Slagle v. VirTra Systems, Inc.*, seeking payment of the principal sum of $90,000, plus accrued interest, in equipment leases allegedly entered into by the Slagles with the former Ferris Productions, Inc. in 2001. In May of 2006, judgment was awarded to the plaintiff in the amount of $116,005. This judgment was settled during the fourth quarter at a reduced amount and the liability difference was recorded as forgiveness of debt income.

Edward and Linda Strickland v. VirTra Systems, Inc

On December 30, 2004, suit was filed against us in the federal district court of North Carolina, in cause number 4:04-CV-199-H2, styled *Edward and Linda Strickland v. VirTra Systems, Inc.*, seeking payment in the principal sum of $72,000, plus accrued interest, in equipment leases allegedly entered into by the Stricklands with the former Ferris Productions, Inc. in 2001. In February of 2006, we entered into an agreed judgment in the amount of $85,000. This judgment was settled during the fourth quarter at a reduced amount and the liability difference was recorded as forgiveness of debt income.

Jones & Cannon, PC
On August 28, 2006, VirTra Systems received notice from Jones & Cannon, P.C. of Arlington, Texas, notifying the company of a lawsuit filed in the 352nd Judicial District Court of Tarrant County, Texas for fees and other charges that Jones & Cannon alleges are owed to it, in the amount of $508,362.55. The suit is for fees and charges Jones & Cannon claims to have accrued during the time that Kelly Jones, its lead partner, served as CEO of VirTra Systems, Inc. On January 15, 2007, both parties agreed to a settlement of the claim whereby Jones & Cannon was to receive 5 million shares of our common stock in full settlement of this liability.

Upon reaching this agreement, we extinguished the legal fees liabilities that we had recorded to that point, totaling $498,607, recorded a liability resulting from the settlement in the amount of $225,000 which was the fair value of 5 million shares of our common stock on the date of the agreement. We therefore recorded a gain on the settlement of $273,607 during 2007.

On August 29, 2007, we issued 2,500,000 shares to Jones and Cannon as partial settlement of this lawsuit and reported the remaining liability of $22,500 at December 31, 2007 of the additional 2,500,000 shares we owed at the closing price of our common stock at that date.

On March 31, 2008, we issued the remaining 2,500,000 shares to Jones and Cannon in full settlement of the matter. We recorded the shares at the closing price on the date of issuance, retired the 12/31/07 liability of $22,500 and recorded a loss of $25,000 which is included in “Loss on litigation settlements”.

Note 7 - Common Stock Transactions
Five common stock issuances occurred during the year ending December 31, 2008. See the Statement of Stockholders Deficit for details of the transactions and the reporting periods in which the transactions occurred.

Note 8 - Accrued Liabilities
The following table summarizes the major items included in Accrued Liabilities at December 31, 2008 and 2007:

	12/31/08	12/31/07
Accrued payroll taxes, including penalties and interest	$ 952,591	$ 1,002,641
Accrued interest payable debenture judgment	539,544	1,187,870
Accrued lawsuit judgments and settlements	-	162,297
Deferred revenue	36,461	29,643
Other	36,509	237,163
Total Accrued Liabilities	**$ 1,565,105**	**$ 2,619,614**

Note 9 - Cost and Estimated Earnings in Excess of Billings (and Billings in Excess of Costs and Estimated Earnings) on Uncompleted Contracts

At December 31, 2008, we had two 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, 2008, we have incurred total costs of $90,250 on contracts totaling $813,141 of total revenue. We estimate that we will incur approximately $142,000 of additional costs and do not expect to incur any losses on our uncompleted contracts. Our billings in excess of costs and estimated earnings on uncompleted contracts total was $468,140 at December 31, 2008.

Note 10 - Other Assets

Other assets at December 31, 2008 are comprised of rental deposits.

Note 11 – Redeemable Common Stock

In 1997, the Company entered into an agreement to redeem 1,505,399 shares of common stock from certain stockholders at par value of $.005 per share with the consideration for such redemption to be paid pro-rata to such stockholders by March 31, 1998. No shares were redeemed in 2006, 2007 or 2008, and 371,834 shares remain to be redeemed at the option of the Company.

Note 12 – 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 $952,591 at December 31, 2008.

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, 2008.

Note 13 – Related Party Transactions

Included in other current liabilities on the balance sheet was $81,111 owed to an officer of the company for advances he has made to VirTra Systems over the years. This payable to related party was reduced during the year and paid off fully by December 2008.

Note 14 – 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, 2008 we had recorded $62,587 in development cost which represents resources used in the fourth quarter 2008. These costs were included in the $6,600,000 recorded for Intellectual Property. See note 17. 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 particular scenarios created or developed. Amortization of these costs will begin in 2009.

Note 15 – 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 booked.

Note 16 – Subsequent Events

On August 20, 2008 the Board of Directors approved the issuance of 5,000,000 shares of common stock to Perry Dalby, the Company’s former CEO. This issuance was completed on November 20, 2008 and satisfied all amounts owed to Mr. Dalby. The Board further resolved to issue 5,000,000 stock options for employees at a strike price as of August 20, 2008 of $.005. The issuance of these stock options is still pending.

Note 17 – 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.

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 years ending December 31, 2007 and December 31, 2006. Filing Dates 2008-04-15 and 2007-04-17. 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
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5727 North 7th Street, Suite 409
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Certified Public Accountant
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Independent Financial Reporting Counsel
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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-definition (HD) 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' simulator in the world at an affordable price.
2. Shareholders – Profitability is a key to increasing the value of the Company and avoiding the need for debt or share issuances, which erode shareholder value.
3. Employees – VirTra works hard to attract and maintain 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 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.

For the year ended December 31, 2008, gross revenue grew from $2,245,095 to $2,907,364, due to an overall increase in sales activity. This represents an annual growth in gross revenues of 29.5% for 2008 as compared with 2007.

General and administration costs are drastically lower from $2,084,732 for the year ended 2007 down to $775,860 for the year ended 2008. While overall operations are far more efficient than the same period last year, the 2007 costs were far higher than normal.

Net income from operations increased from a loss of ($134,590) for 4th quarter 2007 to a gain of $224,730 for 4th quarter 2008, this is an increase in operating profit of $359,320. The total net income, excluding Intellectual Property, totaled $1,255,532 for the 4th quarter 2008 with $666,727 (forgiveness of debt income) attributed to legal and other liability settlements.

Net gain per share for the final quarter of 2008 was $.059. Net gain per share for the year 2008 totaled $.071 per share.

Overall, VirTra has made significant improvements in financial performance in 2008. For year ending December 31, 2008, excluding intellectual property, net income is $2,651,584 compared with a loss of $1,124,045 during 2007.

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 12 months ended December 31, 2007:

In lieu of cash payments for reduction of our debenture liability to Dutchess Private Equities Fund I, LLC (See Note 7), we issued 11,496,500 shares of common stock in fourteen different tranches throughout the year. We valued these shares at the discounted rate specified in our agreement with Dutchess.

In June, 2007, we issued 5,168,388 shares to our Board of Directors for their contractual fees earned in 2006. We valued these shares at $175,725 based upon the closing rate at the date of grant and recorded these shares as a reduction of our liability to the Board existing at December 31, 2006.

On February 23, 2007, we issued 625,000 shares of our common stock to an accredited investor for $25,000 in cash.

On November 11, 2007, we issued 1,666,667 shares of our common stock to an accredited investor in exchange for $50,000 in cash.

On August 28, 2007, we issued 5,200,000 shares of our common stock for services pursuant to a consulting agreement. We valued these shares at the closing price on the date of issuance and recorded consulting compensation in the amount of $130,000.

On August 29, 2007, we issued 3,000,000 shares to our legal counsel to represent us in the matter of *Jones and Cannon v VirTra Systems, Inc.* We recorded legal expenses of $62,494.

On August 29, 2007, we issued 2,500,000 shares to Jones and Cannon as partial settlement of our lawsuit. We valued these shares at one-half of our settlement amount, or $62,500 (See Note 6).

On November 15, 2007, we issued 765,000 shares to our legal counsel in payment of legal fees. We valued these shares at their fair values on that date and recorded $46,651 in legal fees expense.

Stock payable:

We sold two additional issuances of 625,000 common shares in January 2007 but had not issued the shares as of year end. The amount received was $50,000 and being reported as a stock payable.

The Company had the following common stock transactions during the 12 months ended December 31, 2008:

On March 31, 2008, we issued 2,500,000 shares of our common stock to Jones and Cannon (see Note 6) to settle the remaining liability resulting from our settlement in 2007.

On October 13, 2008, we issued 250,000 shares of our common stock to Dutchess in connection with our Settlement and Release Agreement.

On October 30, 2008, we issued 300,000 shares of our common stock to Dutchess in connection with our Settlement and Release Agreement.

On November 17, 2008, we issued 1,000,000 shares of our common stock to Judy Holt for a $50,000 investment made in 2007.

On November 20, 2008, we issued 5,000,000 shares of our common stock to Perry Dalby for CEO compensation.

PART F EXHIBITS

XVIII. Material Contracts.

There are no material contracts in force as of December 31, 2008.

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.

No purchases of equity securities by VirTra or an affiliated purchaser took place during the past year ending December 31, 2008.

XXI. Certifications of Chief Executive Officer.

I, Robert D. Ferris, certify that:

1. I have reviewed this Annual 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 31, 2009

/s/ Robert D. Ferris
CEO/President