



FINANCIAL INFORMATION (UNAUDITED)
QUARTER-END REPORT
March 31, 2011

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Section Two: Issuers' Continuing Disclosure Obligations

PART A GENERAL COMPANY INFORMATION

Item 1 Exact Name of the Issuer and Address of its Principal Executive Office

**VIRTRA SYSTEMS, INC.
7970 S. Kyrene Rd.
Tempe, AZ 85284**

(480) 968-1488 (o)

(480) 968-1448 (f)

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PART B SHARE STRUCTURE

Item 2 Shares Outstanding

(i) March 31, 2011

(ii) Number of shares authorized 500,000,000

(iii) Total number of shares issued and outstanding 158,328,245

(iv) Freely tradable shares (public float) 136,612,777

(v) Total number of beneficial shareholders 2,732

(vi) Total number of shareholders of record 190

(i) December 31, 2010

(ii) Number of shares authorized 500,000,000

(iii) Total number of shares issued and outstanding 158,328,245

(iv) Freely tradable shares (public float) 136,287,385

(v) Total number of beneficial shareholders 2,762

(vi) Total number of shareholders of record 194

| | | |
|--------------|--|--------------------|
| (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 |

PART C FINANCIAL INFORMATION

Item 3 Interim Financial Statements

See the following Financial Statements and Accompanying Notes.

VIRTRA SYSTEMS INC.

Balance Sheets as of March 31, 2011 and December 31, 2010

| | 03/31/11 | 12/31/10 |
|--|---------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 1,034,590 | \$ 535,728 |
| Accounts receivable, net of allowances | 805,333 | 1,104,470 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 167,724 | 243,050 |
| Prepaid expenses & other | 118,155 | 58,783 |
| Inventory | 179,428 | 179,428 |
| Total current assets | 2,305,230 | 2,121,459 |
| Property and equipment, net of accumulated depreciation of \$717,994 and \$657,348, respectively | 592,156 | 594,988 |
| Intellectual property (see Note 9 and 10), net of accumulated amortization of \$1,113,929 and \$982,256, respectively | 6,644,879 | 6,542,958 |
| Other assets | 30,391 | 30,391 |
| Total non-current assets | 7,267,426 | 7,168,337 |
| TOTAL ASSETS | \$ 9,572,656 | \$ 9,289,796 |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Accounts payable | \$ 345,164 | \$ 302,745 |
| Accrued liabilities | 94,094 | 187,005 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | - | - |
| Total current liabilities | 439,258 | 489,750 |
| Redeemable common stock | 1,859 | 1,859 |
| Total non-current liabilities | 1,859 | 1,859 |
| TOTAL LIABILITIES | 441,117 | 491,609 |
| <u>STOCKHOLDERS' EQUITY</u> | | |
| Common stock, \$.005 par value, 500,000,000 shares authorized, 158,328,245 and 158,328,245 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively | 791,641 | 791,641 |
| Additional paid in capital | 12,170,075 | 12,170,075 |
| Accumulated deficit | (3,830,177) | (4,163,529) |
| Total shareholders' equity | 9,131,539 | 8,798,187 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 9,572,656 | \$ 9,289,796 |

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

VIRTRA SYSTEMS, INC.

Statements of Operations for the Three Months Ended March 31, 2011 and 2010 and Years Ended December 31, 2010 and 2009

| | Three Months Ended March 31, | | Year Ended December 31, | |
|---|-------------------------------------|--------------------|--------------------------------|--------------------|
| | 2011 | 2010 | 2010 | 2009 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| <u>REVENUE</u> | | | | |
| New system sales | \$ 2,011,790 | \$ 686,941 | \$ 6,416,966 | \$ 4,349,601 |
| Other revenue | 182,000 | 29,729 | 177,992 | 262,016 |
| Total Revenues | 2,193,790 | 716,670 | 6,594,958 | 4,611,617 |
| Cost of sales and services | 922,878 | 257,725 | 2,446,795 | 1,557,585 |
| Gross margin | 1,270,912 | 458,945 | 4,148,163 | 3,054,032 |
| <u>OPERATING EXPENSES</u> | | | | |
| General and administrative expenses | 933,820 | 491,565 | 2,633,191 | 1,581,574 |
| Income/(Loss) from operations | 337,092 | (32,620) | 1,514,972 | 1,472,458 |
| <u>OTHER INCOME AND (EXPENSE) ITEMS:</u> | | | | |
| Other Expense | (3,500) | - | (524,018) | - |
| Interest expense and finance charges | (449) | (23,427) | (50,012) | (66,840) |
| Exchange Gain/(loss) | - | - | 30,983 | - |
| Interest & Other income | 209 | 86,486 | 47,937 | 9,394 |
| Total other income and expense items | (3,740) | 63,059 | (495,110) | (57,446) |
| Net income/(loss) | 333,352 | 30,439 | 1,019,862 | 1,415,012 |
| Weighted average shares outstanding - basic and fully diluted | 158,328,245 | 147,048,010 | 152,625,732 | 140,676,229 |
| Net gain(loss) per share - basic and fully diluted | \$ 0.0021 | \$ 0.0002 | \$ 0.0067 | \$ 0.0101 |

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

VIRTRA SYSTEMS, INC.

**Statement of Stockholders' Equity for the Three Months Ended March 31, 2011
(Unaudited)**

| | <u>Common Stock</u> | | | | |
|---|---------------------|-------------------|---------------------------------------|---------------------------|---------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Additional Paid In Capital</u> | <u>Accum. Deficit</u> | <u>Total</u> |
| Balance at December 31, 2010 | <u>158,328,245</u> | <u>\$ 791,641</u> | <u>\$12,170,075</u> | <u>\$ (4,163,529)</u> | <u>\$ 8,798,187</u> |
| Net income, three months ended 3/31/11 | <u></u> | <u></u> | <u></u> | <u>333,352</u> | <u>333,352</u> |
| Balance at March 31, 2011 | <u>158,328,245</u> | <u>\$ 791,641</u> | <u>\$12,170,075</u> | <u>\$ (3,830,177)</u> | <u>\$ 9,131,539</u> |

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

VIRTRA SYSTEMS, INC.

Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010
(Unaudited)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2011 | 2010 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Net Income (Loss) | \$ 333,352 | \$ 30,439 |
| Adjustments to reconcile net loss to net cash provided by/(used in) operations: | | |
| Depreciation and amortization | 192,319 | 144,930 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 299,136 | 573,431 |
| Inventory | - | - |
| Prepaid expenses and other | (59,372) | (33,911) |
| Costs in excess of billings/(billings in excess of costs) and estimated earnings on uncompleted projects | 75,326 | (115,126) |
| Accounts payable and accrued liabilities | (46,991) | (227,667) |
| Other current liabilities | - | - |
| Net cash provided by/(used in) operating activities | 793,770 | 372,096 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Capital expenditures | (57,815) | (54,870) |
| Capitalized development costs | (233,593) | (134,878) |
| Net cash provided by/(used in) investing activities | (291,408) | (189,748) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Proceeds and Equity increase from common stock issuance to accredited investors and others | - | - |
| Buy-back stock options | (3,500) | - |
| Net cash provided by/(used in) financing activities | (3,500) | - |
| Net change in cash and cash equivalents | 498,862 | 182,348 |
| Cash and cash equivalents, beginning of period | 535,728 | 109,981 |
| Cash and cash equivalents, end of period | \$ 1,034,590 | \$ 292,329 |

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

VIRTRA SYSTEMS, INC.

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 March 31, 2011 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 March 31, 2011.

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 every year since 2008. However, there is no guarantee that the Company will continue with profitable operations in the future.

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.

On October 25, 2010 Dutchess requested the final conversion, VirTra paid cash instead of shares in the amount of \$19,148. This was the final payment to payoff the Dutchess Liability.

As of December 31, 2010 the total amount owed to Dutchess was \$0 and Dutchess reported owning 0 shares of VirTra stock.

Note 4 - Accrued Liabilities

The following table summarizes the major items included in Accrued Liabilities at March 31, 2011 and December 31, 2010:

| | <u>03/31/11</u> | <u>12/31/10</u> |
|---|------------------------|------------------------|
| Accrued payroll taxes, including penalties and interest | \$ - | \$ 121,411 |
| Other | 94,094 | 65,594 |
| Total Accrued Liabilities | \$ 94,094 | \$ 187,005 |

Note 5 - Cost and Estimated Earnings in Excess of Billings (and Billings in Excess of Costs and Estimated Earnings) on Uncompleted Contracts

At the end of 1st Quarter 2011, we had eight 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 March 31, 2011, we have incurred some of the costs on contracts totaling \$3,714,470 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 \$167,724 at March 31, 2011.

Note 6 - Other Assets

Other assets at March 31, 2011 are comprised of rental deposits.

Note 7 – 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.

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 was current with these IRS payments as of December 31, 2010. VirTra has paid off the remaining liability in February 2011.

Note 8 – 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 11 describes the land purchase transaction, which provides no financial benefit to a related party.

Note 9 – Capitalized Development Costs

VirTra has continued to employ qualified individuals for the exclusive purpose of scenario creation and the development of simulation software. At March 31, 2011 we had recorded \$1,158,762 in development cost (Q1 2009 through Q1 2011) which represents resources used during the period. These costs were not included in the \$6,600,000 recorded for Intellectual Property. See note 10. 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 \$1,113,929 at March 31, 2011.

Note 10 – 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 11 – 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 which is now to pay 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 ownership interest in the land will be transferred to VirTra Systems at no profit to Ferris Properties, LLC.

The land was purchased to permit expected expansion, however, the unexpected Gander Mountain rollout required VirTra to obtain a larger facility in a short period of time, rather than having time to build on the land. In addition, VirTra negotiated a buy-out price for its current building far below the cost of constructing a new building.

In December 2010 the original landowner suspended further payments, and permitted Ferris Properties, LLC to walk away with no further obligations in principal, interest or penalties. Neither Ferris Properties, LLC nor VirTra Systems, Inc. have any further liability or asset associated with the land.

Note 12 – Subsequent Events

VirTra has no material subsequent events as of the report date.

Item 4 Management's discussion and Analysis or Plan of Operation

A. Plan of Operation

The world can be a very dangerous place. Both military forces 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 succeed at their mission and survive potentially lethal encounters.

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 simulator 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 retains 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 exhibitions at the leading US and international tradeshows.
5. International Growth – Support current customers and attract additional quality international agents 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

1st Quarter 2011 Review

The first quarter of 2011 was the highest revenue first quarter in the history of the company. Sales of \$2,193,790 for the quarter is a 206% improvement over last year (\$1,477,119 increase).

For the quarter the expense rate was 42.6% compared to 68.6% from Q1 2010. Costs were kept in line while building the infrastructure to handle continued gross revenue growth. The company is also investing in the development of new scenarios and marksmanship drills, enhanced software, and new product advancements.

Listed below is a summary of the last four quarters compared to the same quarter of the previous year:

| Quarter | Gross Revenue | Revenue Growth |
|------------------|---------------|----------------|
| 2nd Quarter 2010 | \$1.5 m | + 57% |
| 3rd Quarter 2010 | \$2.0 m | + 65% |
| 4th Quarter 2010 | \$2.3 m | + 56% |
| 1st Quarter 2011 | \$2.2 m | + 206% |

Net income from operations for the quarter grew from a small loss of \$32,620 in 2010 to a profit of \$337,092 for the 1st quarter 2011 (\$369,712 increase).

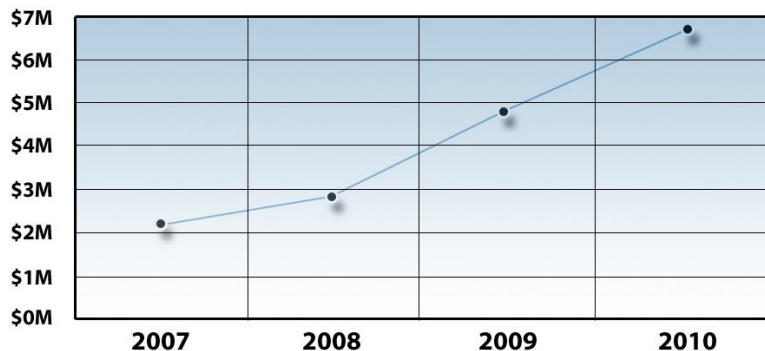
Net gain per share for the first quarter of 2011 was \$.0021 compared to \$.0002 per share in Q1 2010.

VirTra's cash position improved to \$1,034,590 as of March 31, 2011 compared to \$292,329 as of March 31, 2010. Shareholder's equity jumped over \$1.7 million to \$9.13 million at Q1 2011, up from \$7.40 million as of March 31, 2010.

2010 Results Review

Total revenue reached new heights during 2010 as VirTra increased both domestic and international sales. Revenue grew by \$1.98 million, a 43% increase from the previous year.

VirTra Gross Revenue



COGS

Cost of goods sold increased slightly from 2009 to 2010 due to a small decrease in profit margins on overall sales for the year.

Net Operating Profit

VirTra posted a net operating profit level of \$1.51 million which was slightly more than 2009. The expense rate was higher in 2010 than in 2009 as VirTra added needed infrastructure and invested in advertising and marketing for future results. Below is a break-down of the increased costs as compared with 2009:

| Item | Amount |
|--|--------------------|
| G & A Wages: VirTra increased overall staff by 27 employees throughout the year to accommodate growth. | \$349,967 |
| Advertising: larger tradeshow exhibiting, advertising, and costs for a newly redesigned multi-language website | \$292,873 |
| Bad debt expense: a very rare event for VirTra. One-time event. | \$129,248 |
| Depreciation expense: normally increases with overall growth. | \$71,963 |
| Insurance expense: normally increases with overall growth. | \$63,968 |
| Rent expense: increases related to higher lease payments due to more space needed. | \$58,282 |
| Amortization expense: normally increases with overall growth. | \$45,920 |
| Other expenses related to operations. | \$39,396 |
| Total | \$1,051,617 |

Net Income

For the year ending 2010, VirTra posted Net Income exceeding \$1 million (\$1,019,862), but this was \$395,150 less than the previous year. Below is a break-down of the costs that were higher than in 2009:

| Item | Amount |
|--|------------------|
| Stock options exercised: Stock options were exercised which created an accounting charge (non-cash event). One-time event and the stock options are now cancelled. | \$215,000 |
| Land purchase termination: VirTra negotiated a buy-out price for its current building far below the cost of constructing a new building, so no need for the land. One-time event with no further costs or liabilities. | \$161,945 |
| Previous management commitments: Various commitments made by previous management. One-time events which created an accounting charge (non-cash event). | \$141,273 |
| Stock options redemption: VirTra redeemed stock options for cash. One-time event and the stock options are now cancelled. | \$5,800 |
| Total | \$524,018 |

Summary

The year 2010 has included several key milestones for VirTra. The company landed the largest simulation project in its 18 year history with Gander Mountain, which only began in 2010 and already helped set record high revenues for the year. Also, VirTra introduced a brand new product line - the VirTra Range™ to very positive reviews at both military and law enforcement tradeshows.

Item 5 Legal Proceedings

There are no current or pending legal proceedings filed or threatened against VirTra Systems, Inc.

Item 6 Defaults upon Senior Securities

There has been no material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within 30 days, with respect to any indebtedness of the issuer.

There has been no material arrearage in the payment of dividends.

Item 7 Other Information

No information is required to be included in a current update.

Item 8 Exhibits

A. Material Contracts

VirTra entered into a confidential and material contract with Gander Mountain in 2010 and has continued with additional sales in 2011.

Item 9 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: May 10, 2011

/s/ Robert D. Ferris

CEO/Chairman