FINANCIAL INFORMATION

QUARTER-END REPORT

September 30, 2013

www.VirTra.com

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OTC Pink Disclosure Obligations

Section 1: Name of the issuer and its predecessors (if any within past five years)

VIRTRA SYSTEMS, INC.

Section 2: Address of the issuer's principal executive offices

Company Headquarters
7970 S. Kyrene Rd.
Tempe, AZ 85284
(480) 968-1488
www.virtra.com

IR Contact
Rudy Miller
The Miller Group
7025 North Scottsdale Road
Suite 235
Scottsdale, AZ 85253
Telephone (602) 225-0505
rmiller@themillergroup.com

Section 3: Security Information

Trading Symbol: **VTSI**
CUSIP: **92827K 10 3**

Exact title and class of securities outstanding: **VIRTRA SYSTEMS, INC. PREFERRED STOCK**
Par or Stated Value: **$0.005**
Total shares authorized: **2,000,000** as of: **September 30, 2013**
Total shares outstanding: **0** as of: **September 30, 2013**

Exact title and class of securities outstanding: **VIRTRA SYSTEMS, INC. COMMON STOCK**
Par or Stated Value: **$0.005**
Total shares authorized: **500,000,000** as of: **September 30, 2013**
Total shares outstanding: **158,285,045** as of: **September 30, 2013**

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

Is the Transfer Agent registered under the Exchange Act?

Yes. 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.

List any restrictions on the transfer of security:

We previously were a shell company; therefore the exemption offered pursuant to Rule 144 is not available. Anyone who purchased securities directly or indirectly from us or any of our affiliates in a transaction or chain of transactions not involving a public offering cannot sell such securities in an open market transaction. For further information reference United States Securities and Exchange Commission.

Describe any trading suspension orders issued by the SEC in the past 12 months:

None.

Section 4: Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.)
B. Any jurisdictions where the offering was registered or qualified;
C. The number of shares offered;
D. The number of shares sold;
E. The price at which the shares were offered, and the amount actually paid to the issuer;
F. The trading status of the shares; and
G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

Date	Number of Shares	Price Offered/ Paid	Issued To	Nature of transaction
	158,328,245			December 31, 2010; Total number of shares authorized and outstanding
October 18, 2011	-43,200	$0.069	VirTra Systems, Inc.	Treasury stock, repurchased shares (No Legend)
	158,285,045			December 31, 2012; Total number of shares outstanding

Section 5: Financial Statements

VIRTRA SYSTEMS, INC.
BALANCE SHEETS

	September 30, 2013	December 31, 2012
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,831,345	$ 372,119
Accounts receivable, net	$ 579,414	462,942
Inventory	574,301	370,019
Prepaid expenses and other current assets	55,744	65,558
Total current assets	3,040,804	1,270,638
Property and equipment, net	492,750	612,380
Total assets	$ 3,533,554	$ 1,883,018
Liabilities and Stockholders' Equity/(Deficit)		
Current liabilities:		
Accounts payable	$ 341,864	$ 227,331
Accrued compensation and related costs	337,457	335,879
Accrued expenses and other current liabilities.	171,091	118,081
Term loan - short-term	-	80,499
Deferred revenue	1,566,846	1,173,449
Total current liabilities	2,417,258	1,935,239
Long-term liabilities:		
Term loan - long-term	-	143,636
Accrued rent liability - long-term	138,182	131,358
Total liabilities	2,555,440	2,210,233
Commitments and contingencies		
Stockholders' equity/(deficit):		
Preferred stock $0.005 par value; 2,000,000 shares authorized; no shares issued or outstanding as of December 31, 2012 and 2011	-	-
Common stock $0.005 par value; 500,000,000 shares authorized; 158,328,245 shares issued and 158,285,045 shares outstanding as of September 30, 2013 and December 31, 2012 respectively	791,641	791,641
Additional paid-in capital	13,103,773	13,032,498
Treasury stock at cost, 43,200 common shares as of September 30, 2013 and December 31, 2012 respectively	(2,981)	(2,981)
Accumulated deficit	(12,914,319)	(14,148,373)
Total stockholders' equity/(deficit)	978,114	(327,215)
Total liabilities and stockholders' equity/(deficit)	$ 3,533,554	$ 1,883,018

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

VIRTRA SYSTEMS, INC.
STATEMENTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Net revenues	$ 2,712,459	$ 1,418,361	$ 6,772,369	$ 6,959,153
Cost of products sold	869,044	750,967	2,129,482	2,501,861
Gross margin	1,843,415	667,394	4,642,887	4,457,292
General and administrative expenses	998,897	1,288,060	3,394,669	4,221,396
Income/(loss) from operations	844,518	(620,666)	1,248,218	235,896
Other income/(expense):				
Other income	33	1,165	62	2,202
Other expense	(8,232)	(12,524)	(14,226)	(15,854)
Net other income/(expense)	(8,199)	(11,359)	(14,164)	(13,652)
Income/(loss) before income taxes	836,319	(632,025)	1,234,054	222,244
Income tax expense/(benefit)	-	-	-	-
Net income/(loss)	$ 836,319	$ (632,025)	$ 1,234,054	$ 222,244
Weighted average of common and common equivalent shares outstanding:				
-Basic	158,285,045	158,285,045	158,285,045	158,285,045
Net income/(loss) per common and common equivalent share:				
-Basic	$ 0.01	$ (0.00)	$ 0.01	$ 0.00

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

VIRTRA SYSTEMS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY

	Common stock					
	Shares	Amount	Additional paid in capital	Treasury Stock	Accumulated Deficit	Total
Balance at January 1, 2012,……….	158,285,045	$ 791,641	$ 12,912,365	$ (2,981)	$ (14,261,769)	$ (560,744)
Net Income……………………….	-	-	-	-	113,396	113,396
Stock-based compensation..……….	-	-	120,133	-	-	120,133
Balance at December 31, 2012……	158,285,045	791,641	13,032,498	(2,981)	(14,148,373)	(327,215)
Net Income……………………….	-	-	-	-	1,234,054	1,234,054
Stock-based compensation..……….	-	-	71,275	-	-	71,275
Balance at September 30, 2013…..	158,285,045	$ 791,641	$ 13,103,773	$ (2,981)	$ (12,914,319)	$ 978,114

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

VIRTRA SYSTEMS, INC.
STATEMENTS OF CASH FLOWS

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash flows from operating activities:		
Net income/(loss)	$ 1,234,054	$ 222,244
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	159,449	201,987
Stock-based compensation	71,275	82,982
Changes in operating assets and liabilities:		
Accounts receivable	(116,472)	(645,112)
Inventory	(204,282)	23,125
Prepaid expenses and other assets	9,814	12,611
Accounts payable and other accrued expenses	175,945	642,159
Deferred revenue	393,397	(1,515,415)
Due to related parties	-	(22,684)
Net cash provided by/(used in) operating activities	1,723,180	(998,103)
Cash flows from investing activities:		
Purchase of property and equipment	(39,819)	(17,803)
Net cash used in investing activities	(39,819)	(17,803)
Cash flows from financing activities:		
Draws on line of credit	150,000	1,060,000
Repayments of line of credit	(150,000)	(380,000)
Proceeds from term loan	-	243,645
Payments on term loan	(224,135)	-
Purchase of common stock	-	-
Net cash provided by/(used in) financing activities	(224,135)	923,645
Increase/(decrease) in cash and cash equivalents	1,459,226	(92,261)
Cash and cash equivalents, beginning of period	372,119	144,051
Cash and cash equivalents, end of period	$ 1,831,345	$ 51,790
Cash paid during the period for:		
Interest	$ 7,738	$ 12,311
Taxes	$ -	$ -

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

VIRTRA SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. Significant Accounting Policies

Organization and Business Operations

VirTra Systems, Inc. (the "Company" or "VirTra") is engaged in the development and sale of judgmental use of force training simulators and firearms training simulators for law enforcement, military and commercial uses. The Company sells simulators worldwide through a direct sales force and international distribution partners. The original business started in 1993 as Ferris Productions, Inc. In September 2001, Ferris Productions, Inc. merged with GameCom, Inc. to ultimately become VirTra Systems, Inc., a Texas Corporation. The corporate office is located in Tempe, Arizona. All transactions are denominated in US dollars.

Basis of Presentation and Use of Estimates

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates in these financial statements include valuation assumptions for share-based payments, allowance for doubtful accounts receivable, inventory reserves, accrual for warranty reserves, the carrying value of long-lived assets, income tax valuation allowances and capitalization of labor and overhead to inventory for work in progress. Actual results could differ significantly from those estimates.

Fair Value of Financial Instruments

The fair value of financial instruments approximates their carrying values due to their short maturities or for long-term debt based on borrowing rates currently available to the Company for loans with similar terms and maturities. These financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and debt.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of 90 days or less at the time of purchase to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes an allowance for losses on accounts receivable based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. Accounts receivable are charged off after all reasonable collection efforts have been exhausted. Management has determined all receivable balances to be fully collectible and accordingly, no allowance was recognized at such time. Accounts receivable are non-interest bearing and are generally unsecured.

Inventories

Inventories are stated at the lower of cost or market with cost being determined on the first-in, first-out method. Work in progress and finished goods inventory includes an allocation for capitalized labor and overhead. The Company routinely evaluates the carrying value of inventory and provides reserves when appropriate to reduce inventory to the lower of cost or market to reflect estimated net realizable value. Management has determined all inventory is salable at prices greater than cost and accordingly, no reserve has been recognized.

Property and Equipment

Property and equipment are carried at cost, net of depreciation. Gains or losses related to retirements or disposition of fixed assets are recognized in operations in the period incurred. Costs of normal repairs and maintenance are charged to expense as incurred, while betterments or renewals are capitalized. Depreciation commences at the time the assets are placed in service. Depreciation is provided using the straight-line method over the estimated economic lives of the assets or for leasehold improvements, over the shorter of the estimated useful life or the lease term, which are summarized as follows:

Computer equipment	3 - 5 years
Furniture and office equipment	5 - 7 years
Leasehold improvements	7 years

Revenue Recognition and Deferred Revenue

Net revenues include sales of products and services. Product sales consist of simulators, upgrade components, recoil kits, Threat-Fire® and other accessories. Services include product development, limited warranties and related support. The Company recognizes revenue for these products and services when it is realized or realizable and earned. Revenue is considered realized and earned when: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred and/or services have been rendered; (iii) the price is fixed and determinable; and (iv) collection of the resulting receivable is reasonably assured. Shipping fees are charged to customers and recorded as a component of net revenues.

Products

Revenue from the sale of products is recognized when title and risk of loss passes to the customer. Delivery is considered complete when products have been shipped to the customer, title and risk of loss has transferred to the customer and customer acceptance has been satisfied. For customers other than United States federal agencies, the Company generally requires deposits in advance of shipment for customer sales orders. Customer deposits are recorded as a current liability under deferred revenue on the accompanying balance sheet and totaled $1,170,656 and $865,205 as of September 30, 2013 and December 31, 2012, respectively.

Services

Services include separately priced extended limited warranties on parts and labor, and technical support. Revenue is recognized for service contracts as earned, which is generally on a straight-line basis over the term of the contract. The Company does warranty its products from manufacturing defects on a limited basis for a period of one year after purchase, but also sells separately priced extended warranties for periods of up to four years after the expiration of the standard one year warranty. After the one year standard warranty expires and during the term of the extended warranty, if the device fails to operate properly from defects in materials and workmanship, the Company will fix or replace the defective product. Deferred revenue for separately priced extended warranties totaled $396,190 and $308,244 as of September 30, 2013 and December 31, 2012, respectively.

Cost of products sold

Cost of products sold represents manufacturing costs, consisting of materials, labor and overhead related to finished goods and components. Shipping costs incurred related to product delivery are included in cost of products sold.

Advertising Costs

Costs associated with advertising are expensed as incurred. Advertising costs include domestic and international tradeshows, website, and sales promotional materials.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs primarily include expenses directly related to research and development of various new products or content, patent applications or other support.

Concentration of Credit Risk and Major Customers and Suppliers

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are maintained with financial institutions with high credit standings. The Federal Deposit Insurance Corporation ("FDIC") fully insures all deposit accounts up to $250,000 per depositor, per insured bank. Sales are typically made on credit and the Company generally does not require collateral. Management performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for estimated losses. Historically, the Company has experienced minimal charges relative to doubtful accounts.

The Company sells its products primarily to federal and state agencies in the United States or to other government agencies.

The Company currently purchases small machined parts, custom cartridge assemblies and electronic components from suppliers located in the United States. Although the Company currently obtains many of these components from single source suppliers, the Company could seek to have the parts, customer cartridges and electronic components manufactured elsewhere. As a result, management believes it could obtain alternative suppliers in most cases without incurring significant production delays. The Company acquires its components on a purchase order basis and does not have long-term contracts with suppliers.

Income Taxes

Deferred tax assets and liabilities are recorded based on the difference between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company calculates a provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences arising from the different treatment of items for tax and accounting purposes. In determining the future tax consequences of events that have been recognized in the financial statements or tax returns, judgment and interpretation of statutes are required.

In assessing the realizability of deferred tax assets, management assesses the likelihood that deferred tax assets will be recovered from future taxable income, and to the extent that recovery is not likely or there is insufficient operating history, a valuation allowance is established. The Company adjusts the valuation allowance in the period management determines it is more likely than not that net deferred tax assets will or will not be realized. As of December 31, 2012, the Company has provided a valuation allowance for all net deferred tax assets due to the income in 2012.

As of December 31, 2012, the Company did not recognize any assets or liabilities relative to uncertain tax positions. Interest or penalties, if any, will be recognized in income tax expense. Since there are no significant unrecognized tax benefits as a result of tax positions taken, there are no accrued penalties or interest. Tax positions are positions taken in a previously filed tax return or positions expected to be taken in a future tax return that are reflected in measuring current or deferred income tax assets and liabilities reported in the financial statements. Tax positions include, but are not limited to, the following:

- an allocation or shift of income between taxing jurisdictions;
- the characterization of income or a decision to exclude reportable taxable income in a tax return; or
- a decision to classify a transaction, entity or other position in a tax return as tax exempt.

The Company reflects tax benefits only if it is more likely than not that the Company will be able to sustain the tax return position, based on its technical merits. If a tax benefit meets this criterion, it is measured and recognized based on the largest amount of benefit that is cumulatively greater than 50% likely to be realized.

The Company is potentially subject to tax audits for its United States federal and Arizona state income tax returns for tax years ended 2010 to 2012 and 2009 to 2012, respectively; however, earlier years may be subject to audit under certain circumstances. Tax audits by their very nature are often complex and can require several years to complete.

Impairment of Long-lived Assets

Long lived assets, such as equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the asset. Assets to be disposed of, if any, would be separately presented in the balance sheet and reported at the lower of their carrying amounts or fair value less costs to sell, and are no longer depreciated.

Stock Based Compensation

The Company calculates the fair value of stock-based awards using the Black-Scholes-Merton option pricing valuation model, which incorporates various assumptions including volatility, expected term and risk-free interest rates. The assumptions used for the years ended December 31, 2012, and the resulting estimates of weighted-average fair value per share of options granted during those periods, are as follows:

	2012
Volatility	100% to 122%
Risk-free interest rate	2% to 3%
Dividend rate	-
Expected term	7 years
Weighted average fair value of options granted	$ 0.06

The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. Expected stock price volatility is based on historical volatility of the Company's stock. The risk-free interest rate is based on the implied yield available on United States Treasury zero-coupon issues with an equivalent remaining term. The Company has not paid dividends in the past and does not plan to pay any dividends in the near future. The estimated fair value of stock-based compensation awards and other options is amortized to expense on a straight line basis over the relevant vesting period. As share-based compensation expense recognized is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company's forfeiture rate was calculated based on its historical experience of awards which ultimately vested.

New Accounting Pronouncements

With the exception of those discussed below, no recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2012 are of significance or potential significance to us.

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04 (ASU No. 2011-04) "Fair Value Measurement". Requirements of ASU No. 2011-04 amends Topic 820 in two ways. Specifically, some of the amendments clarify how to apply the existing fair value measurement and disclosure requirements, while some of the amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. ASU No. 2011-04 does not extend the use of fair value accounting, but rather provides guidance on how it should be applied where its use is already required, or permitted by other standards within GAAP. ASU No. 2011-04 supersedes much of the guidance in ASC Topic 820, but also clarifies existing guidance and changes certain wording in order to align ASC Topic 820 with international standards. The effective date for ASU 2011-04 is for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. The Company's adoption of this policy did not have a material effect on the Company's financial statements.

In June 2011, the FASB issued guidance to require presentation of the total of comprehensive income, the components of net income and the components of other comprehensive income ("OCI") either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. Regardless of which format is chosen, the amendments establish a requirement for entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. This guidance was effective for the Company on January 1, 2012;

however, during December 2011 the FASB issued ASU No. 2011-12, which defers those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. The Company's adoption of this policy is not expected to have a material effect on the Company's financial statements.

2. Inventory

Inventory consisted of the following as of:

	September 30, 2013	December 31, 2012
Raw materials	$ 459,415	$ 312,907
Work-in-progress	99,346	-
Finished goods	15,540	57,112
Total inventory	$ 574,301	$ 370,019

3. Property and Equipment

Property and equipment consisted of the following as of:

	September 30, 2013	December 31, 2012
Computer equipment	$ 367,522	$ 344,714
Furniture and office equipment	545,704	532,135
Leasehold improvements	254,488	254,488
Total property and equipment in use	1,167,715	1,131,337
Less: Accumulated depreciation	(700,419)	(540,970)
Property and equipment in use, net	467,296	590,367
Construction-in-progress	25,454	22,013
Property and equipment, net	$ 492,750	$ 612,380

4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at:

	September 30, 2013	December 31, 2012
Standard one-year manufacturer's warranty	$ 40,000	$ 40,000
State and local taxes	116,091	62,069
Insurance premiums payable	-	1,012
Other	15,000	15,000
Total accrued expenses and other current liabilities	$ 171,091	$ 118,081

5. Related Party Transactions

The Company reimburses its executive officers for business expenses charged to personal credit cards. The Company makes monthly payments directly to the card issuer for these business expenses incurred on behalf of the Company.

6. Commitments and Contingencies

Operating Lease Obligations

The Company's operating lease obligations primarily relate to a facility lease for the Company's corporate office space located at 7970 South Kyrene Road, Tempe, Arizona 85284, which expires in December, 2015, unless renewed. Future minimum lease payments under non-cancelable operating leases are as follows (years ended December 31):

2013		194,802
2014		271,649
2015		316,923
Total	$	783,374

The Company has recognized a liability of $138,182 and $131,358 as of September 30, 2013 and December 31, 2012, respectively; relative to the increasing future minimum lease payments in the above table. Rent expense was $146,101 and $153,934 for the nine months ended September 30, 2013 and for the nine months ended September 30, 2012, respectively.

General or Threatened Litigation

From time to time, the Company is notified of threatened litigation or that a claim is being made against it. The Company's policy is to not disclose the specifics of any claim or threatened lawsuit until such complaint is actually served on the Company. After consultation with appropriate legal counsel, if it is determined that the Company is not at fault, the Company will defend itself accordingly. Although we do not expect the outcome in any pending individual case to be material, the outcome of any litigation is inherently uncertain and there can be no assurance that any expense, liability or damages that may ultimately result from the resolution of these matters will be covered by our insurance or will not be in excess of amounts provided by insurance coverage and will not have a material adverse effect on our business, operating results or financial condition. As of September 30, 2013 and December 31, 2012, respectively, the Company has no accrual for general or threatened litigation and the Company believes its exposure to be de minimis in nature.

Employment Agreements

On April 2, 2012, the Company entered into three-year Employment Agreements with its Chief Executive Officer and Chief Operating Officer that call for base annual salaries of $195,000 and $175,000, respectively, subject to cost of living adjustments, and contain automatic one-year extension provisions. Capitalized terms in this note are defined in the Employment Agreements. If the Company's Chief Executive Officer or Chief Operating Officer are terminated by the Company for any reason other than for Cause, or if the Executive voluntarily terminates his own employment for Good Reason but not including a Change in Control, then the Company shall, subject to the terms of the Employment Agreements, be obligated to pay the Executive an amount equal to the product of (i) the greater of (a) the Executive's annual base salary in effect on the day preceding the date of such termination or (b) the Executive's annual base salary during the twelve full calendar months preceding the date of such termination, times (ii) three. This payment shall be payable in 18 equal monthly payments commencing on the first day of the month following the month in which the termination occurs. If a Change of Control of the Company occurs while the Executive is an employee of the Company and within 36 months from the date of such Change in Control the Company terminates the Executive's employment for any reason (except for the death or Disability of the Executive or for Cause) or the Executive terminates his employment for any reason, then the Company shall, subject to certain limitations, pay the Executive any earned and accrued but unpaid base salary through the date of termination plus an amount of severance pay equal to the product of (i) the greater of (a) the Executive's annual base salary in effect on the day preceding the date on which the Change of Control occurred or (b) the Executive's annual base salary during the twelve full calendar months preceding the date on which the Change of Control occurred, times (ii) four.

7. Line of Credit

The Company has a line of credit agreement with a financial institution with maximum availability of $750,000. The line of credit is secured by the Company's eligible accounts receivable and inventory and bears interest at varying rates, which at September 30, 2013 and December 31, 2012 was prime plus 1.5%, with a floor of 5.0%. Interest expense was approximately

$515 for the nine months ended September 30, 2013 and $17,350 for the year ended December 31, 2012. The effective rate of interest for the year was 5.0%. The line of credit, which was amended and renewed in August 2013, primarily to include borrowing against received domestic purchase orders, matures in August 2014, and requires monthly payments of interest only. The line of credit is co-signed by the Company's Chief Executive Officer and his spouse as guarantors. As of September 30, 2013 and December 31, 2012, there were no amounts outstanding under the line of credit.

8. Term Loan Payable

As of December 31, 2012 the Company had a term loan payable to Arizona Bank & Trust. Monthly payments were $7,501 consisting of principal and interest, and the loan matures in August, 2015. Interest is 5.0% per annum based on a year of 360 days. The term loan was secured by the Company's eligible accounts receivable and inventory and was guaranteed by a related party.

During the third quarter of 2013, the Company paid Arizona Bank & Trust the outstanding amount of $164,111 satisfying all obligations of the agreement. As of September 30, 2013 there were no amounts outstanding under the term loan.

9. Stockholders' Equity/(Deficit)

Authorized Capital

The Company has authorized the issuance of two classes of stock designated as "common stock" and "preferred stock," each having a par value of $0.005 per share. The Company is authorized to issue 500,000,000 shares of common stock and 2,000,000 shares of preferred stock.

Treasury Stock

The Company did not repurchase any stock in the nine months ending September 30, 2013 or in 2012. In October 2011 the Company repurchased 43,200 restricted common shares from certain shareholders at an average price of $0.069 per share for a total purchase price $2,981, which is reflected as treasury stock on the accompanying balance sheet.

Stock Options

The Company periodically issues non-qualified incentive stock options to key employees, officers and directors under a plan approved by the Board of Directors in 2009. Terms of option grants are at the discretion of the Board of Directors. Effective April 1, 2012, the Board of Directors reduced the quarterly grant to a total of 100,000 stock options per quarter to the CEO, 75,000 stock options per quarter to the COO/Secretary, and set it at 50,000 stock options per quarter to any board member not an employee of the Company.

10. Subsequent Events

The Company has evaluated subsequent events through the date the accompanying financial statements were issued, which was November 15, 2013. No events have occurred which require further disclosure.

Section 6: Issuer's Business, Products and Services

A. Description of the business operations;

VirTra develops, sells and supports judgment and marksmanship firearms training systems for law enforcement, military, or civilian use. VirTra's simulators use software, hardware, and content to create uniquely effective and realistic training that does not require live ammunition or less-than-lethal munitions, which can both save money and provide certain training capabilities unavailable to live fire exercises. VirTra has developed a higher standard in simulation training with several exclusive capabilities, including multi-screen video based scenarios, unique scenario authoring ability, superior training scenarios, the patented Threat-Fire™ shoot-back system, powerful gas-powered simulated recoil weapons, accurate real-world ballistics for simulation, and more.

B. Date and State of incorporation:

The original business started in 1993 as Ferris Productions, Inc. In September 2001, Ferris Productions, Inc. merged with GameCom, Inc. to ultimately become VirTra Systems, Inc. a Texas Corporation. The corporate name was changed to VirTra Systems, Inc. (VirTra) on April 30, 2002.

C. Primary and secondary SIC Codes;

The issuer's primary SIC Code is: 3699-0300 Electronic training devices.
The issuer's secondary SIC Code is: 7373 Computer Integrated Systems Design

D. Fiscal year end date is December 31.

E. Principal products or services, and their markets;

VirTra's principal products include the following:

- V-300™ Simulator – a 300° wrap-around screen with video capability is the higher standard for simulation training
- V-180™ Simulator – a 180° screen with video capability is for smaller spaces or smaller budgets
- V-100™ Simulator – a single-screen based system that is highly portable
- V-Range™ Simulator – a hyper-realistic simulated shooting range simulator, sold in per lane configurations
- V-Author™ Software –allows users to customize scenarios, skill drills, and targeting exercises with content specific to agency training objectives
- Top SME Content – content supplied with our simulators is approved by top Subject Matter Experts (SME)
- Simulated Recoil – a wide range of highly realistic and reliable simulated recoil kits/weapons
- Return Fire Device – the patented Threat-Fire™ device which applies real-world stress on the trainees during simulation training

VirTra's principal markets include both domestic and international:

- Military firearms simulation training
- Law Enforcement firearms and judgmental use-of-force simulation training
- Civilian firearms simulation training

VirTra considers some or all of the markets listed above are in a state of expansion, due to several factors. First, simulation training can save money as compared with live fire and in times of constricting budgets, money savings are often prioritized. Live fire training is very expensive due to ammunition costs, safety and environmental considerations, so simulation training can be superior to live fire in many instances. Second, by using realistic human actors, trainees can be more adequately prepared for threats from any direction while interacting with humans in complex 360° environments (this is not possible with shooting ranges). While VirTra strongly believes live fire training is and will remain a critical component of training, however, the market may witness a shrinking of live fire training due to the rising cost of ammunition, limited range time, increasing regulatory environment hostile to live fire ranges, and training limitations as compared with state-of-the-art firearms simulation training.

Market Penetration

VirTra has hundreds of simulators installed at this time in the US and worldwide. However, VirTra's products are relatively new to their respective markets and management thinks VirTra is in the early stages of market penetration for all three markets.

Distribution Channels

VirTra directly markets and sells our products throughout the United States. VirTra also works with various companies throughout the world to distribute our products or serve as prime contractor on particular programs. For product sales outside the United States, VirTra relies on carefully selected professional distributors to sell our products into the territories they know best.

Suppliers

VirTra produces some of their own products as well as relies on a variety of suppliers. VirTra does not expect to encounter delays with its suppliers in the future that would have a material impact on the Company, but supplier delays could occur in the future and could adversely affect the Company.

The Need for Realistic Training

The world can be a very dangerous place. Both warfighters 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.

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 patented Threat-Fire™ device, which safely simulates return fire with a split-second electric impulse. VirTra and many instructors consider this ability to safely simulate return fire enhances the effectiveness of any simulation and forces trainees to take the training more seriously.

Licensing

VirTra licenses its software or other intellectual property to other companies from time to time, when such licensing makes business sense to VirTra and would enhance training effectiveness.

Service and Support

VirTra is committed to providing exceptional service and support for our customers. If a problem is encountered, VirTra service and engineering employees go the extra mile to ensure the issue is resolved quickly and efficiently. VirTra has a long tradition of standing behind our products.

Competition

There are currently no direct competitors to VirTra Systems' multi-screen video simulators, Threat-Fire™ return fire devices, or VirTra's unique immersive training methodologies. However, there is considerable competition within the single-screen simulator market. Single-screen competitors include, but not limited to the following: Cubic Defense Applications, Meggitt, Laser Shot, IES Interactive Training Inc., Ti Training, and MPRI.

Section 7: Issuer's Facilities

VirTra's headquarters is located at: 7970 S. Kyrene Road, Tempe, AZ 85284. To accommodate future growth, on July 8, 2010 VirTra signed a sixty-five month lease with a commencement date of August 1, 2010 and expiring on December 31, 2015. The stand-alone building is approximately 40,000 square feet with 80 parking spaces. Approximately 50% of the building is production space and warehouse. The other 50% is office space. It is fully air-conditioned.

Section 8: Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons. Below are the names of VirTra's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this report.

Name	**Position(s)**	**Date of Appointment**
Bob Ferris	Chief Executive Officer and Chairman of the Board of Directors	05/13/08
Matt Burlend	Chief Operating Officer and Secretary	12/30/08
Jeff Brown	Board of Directors Member	08/10/11

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
   None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
   None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated;
   None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.
   None

C. Beneficial Shareholders. Below is a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the VirTra's equity securities. If any of the beneficial shareholders are corporate shareholders, the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders is provided below.

Name and Address of Beneficial Owner	Officer or Director	Amount of Beneficial Ownership	Percent of Class
Robert Ferris 7970 S. Kyrene Rd. Tempe, AZ 85284	CEO & Director	15,389,915	9.7%

Section 9: Third Party Providers

Below is 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 and General Legal Counsel
Mark F. Wright
Wright Law Group, PLLC
1959 South Power Road, Suite 103-376
Mesa, AZ 85206
Telephone (480) 270-4926
Telecopier (866) 687-6019
mwright@wrightlawgroup.com

Auditor
Robert Semple
Semple, Marchal & Cooper, LLP
2700 North Central Avenue, Ninth Floor
Phoenix, AZ 85004
Telephone (602) 241-1500
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Public Relations and Business Consultants
Rudy Miller
The Miller Group
7025 North Scottsdale Road
Suite 235
Scottsdale, AZ 85253
Telephone (602) 225-0505
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Securities Counsel
Joseph M. Crabb
Squire Sanders
Suite 2700
1 E. Washington St.
Phoenix, AZ 85004
Telephone (602) 528-4084
Joseph.crabb@squiresanders.com

Section 10: Issuer Certification

I, Robert D. Ferris, certify that:

1. I have reviewed this 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: November 15, 2013

/s/ Robert D. Ferris

CEO/Member