FINANCIAL INFORMATION (UNAUDITED)

YEAR-END REPORT

December 31, 2010

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Section One: Issuers' Continuing Disclosure Obligations

PART A GENERAL COMPANY INFORMATION

I. VIRTRA SYSTEMS, INC.

II. 7970 S. Kyrene Rd.
Tempe, AZ 85284

(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, 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 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

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. on April 30, 2002. Since VirTra's inception, we adopted a calendar year end, for tax and reporting purposes.

VirTra has continued to develop their core simulators and training content over the last 3 years with the most significant growth during 2010. Material events include: Gander Mountain Academy contract: Payoff of IRS debt: Payoff of Dutchess debt: Re-locating to a larger building with approximately 40,000 Sq ft of office and warehouse space.

VirTra's simulation products are marketed for two main markets: Military Training and Law Enforcement Training. The main product lines of VirTra include:

VirTra Range LE/MIL = Shooting Range Simulator (either law enforcement or military)
VirTra 100 LE/MIL = Single Screen Simulator (either law enforcement or military)
VirTra 180 LE/MIL = Three Screen Simulator (either law enforcement or military)
VirTra 300 LE/MIL = Five Screen Simulator (either law enforcement or military)

These products lead the way in use-of-force Judgmental and Marksmanship Firearms training simulators worldwide.

VirTra's slogan is "The Higher Standard in Firearms Training Simulators™".

VirTra stock is publicly traded under the symbol "VTSI.pk", the company decided to deregister with the SEC on June 20th, 2008. Our corporate headquarters is located in Tempe, Arizona, 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 defaults of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments; No change of control; No increase of 10% or more of the same class of outstanding equity securities.

VirTra has had no past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

There has been no delisting of the issuer's securities by any security exchange or deletion from the OTC Bulletin Board; and no current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

B. Business of Issuer

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

Building on the long virtual reality heritage of Ferris Productions, VirTra Systems has created the world's most realistic judgment and marksmanship firearm training systems for law enforcement, security or military personnel around the world. In 2010 VirTra created a new product - The VirTra Range™ which is the world's most realistic shooting range simulator. 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 worldwide distributors a real advantage in competing for simulation sales in their territories. VirTra is becoming a prized brand in other countries and so far 100% of every distributor who has bought our simulator for demonstration in their territory has been successful. When the quality of training is important, customers seem to prefer VirTra's line of simulators.

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

VirTra is not a shell company, does not have any parent, subsidiary or affiliate companies.

There have been no Government regulations, existing or probable, that has materially affected the business.

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 began to capitalize on-going development costs beginning in the fourth quarter 2008. See Note 11 and Note 12 to our Financial Statements.

There are no costs and effects of compliance with environmental laws at the Federal, State and local levels.

Company Employees
VirTra had 37 full-time employees and 38 total employees at December 31, 2010. VirTra has created a distributor network, where local agents sell and service VirTra products worldwide. VirTra's agents and distributors have the ability to positively affect VirTra's performance, but are not counted as employees.

IX. The nature of products or services offered.

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

The Need for Realistic Training
The world can be a very dangerous place. Both soldiers and law enforcement officers are expected to make the correct decision, with excellent marksmanship, in split-second life-and-death situations. The better and more realistic the training, the

greater the chance the trainee will succeed when lives hang in the balance and threats are real! Customers buy our simulator for realistic training so that a trainee has a better chance to survive lethal encounters as well as avoid the injury or death of others, whenever it is avoidable.

Real-World Training

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

Return Fire

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

Immersive Training

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

The Multi-Functional Simulator

VirTra's simulators are not just the most immersive simulators on the market, they are also the most flexible. Customers are able to accomplish a long list of training objectives with just one simulator. Below are some of the training possibilities with a VirTra 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® ECD, 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 for trainee duty weapons that closely match the recoil force of a live firearm, but without blanks or live rounds. Simulated weapons are also available. These are not real firearms and cannot be converted to fire a live round but have a very similar weight, size and recoil to that of a real firearm. VirTra's recoil systems are the only recoil kit that can fit into a real M-4/M-16 or AR-15 and can simulate jams, even supporting tactical reloads. We also offer a full line of belt-pack and state-of-the-art tetherless recoil kits ranging from pistols, to assault rifles, and heavy machine guns.

Less-than-Lethal Devices

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

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 subjectmatter experts and carefully study after-action reports from actual incidents. Next, we screen and cast actors for each role. We add props and special effects as needed, including make-up or fake blood, and we have a full post-production studio. VirTra has a tremendous advantage with scenario production, as it is the only company in the world that builds each scenario from the best of three types of technology: VirTra's unique multi-screen HD video technology, computer generated graphics (CGI), or VirTra's unique Hybrid-CGI™ technology. VirTra's unique Hybrid-CGI™ scenario creation software integrates "green-screen" video, panoramic photorealistic images, computer-generated images, and 3-D sound, decreasing both cost and time of scenario production, even for multiple-screen simulation.

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

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

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

Market Penetration
Since 2004, the installation base of our firearm training simulator products 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 captured an estimated 4% or less of the overall market potential for its current products.

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

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

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

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

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

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

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

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

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

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

Major Customers

Historically, large projects consistently shift among different customers on an ongoing basis. In 2010, VirTra received the first orders to supply customized simulators and accessories for Gander Mountain Academies. Gander Mountain is a major customer and accounted for 31.7% of total revenue for 2010. All other Domestic customers were below 7.4%. Two international customers were 12.3% and 11.1% of total revenue for 2010, while others were below 6.3%.

Trademarks/Patents

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

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

The Threat-Fire™ patent application is still active.

VirTra and Gander Mountain have cooperated together on a provisional patent application related to Gander Academy.

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

During second quarter 2010 it became apparent that VirTra's current facilities were no longer adequate for the current level of business and expected future business. To accommodate faster growth than previously expected, on July 8, 2010 VirTra signed a sixty-five month lease with a commencement date of August 1, 2010 with an option to purchase the property during the first 36 months for $3.4 million (otherwise lease expires December 31, 2015). VirTra's main headquarters is located at: 7970 S. Kyrene Road, Tempe, AZ 85284.

This new facility is approximately 5 miles from the previous location. This move was accomplished to accommodate the current growth rate as well as prepare VirTra for future needs. VirTra now occupies the entire stand-alone building which is approximately 40,000 square feet with 80 parking spaces included. It is fully air-conditioned with new work stations, new office furniture. The facility accommodates demo simulators in all configurations from a Single Screen VirTra 100 up to a 5 Screen 300° simulator. This facility permits maximum productivity with a separate testing and development area containing all VirTra simulators.

Our corporate and production offices were located in Tempe, Arizona. VirTra had leased a total of 13,000 sq. ft. divided between a 8,000 sq. foot facility and a 5,000 sq. foot facility located within walking distance. VirTra was able to sublease the 5,000 sq. foot and has no further liability on that space. The cost for the remaining suite is about $6,600 per month with the lease expiring in April 2011.

PART D Management Structure and Financial Information

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

A. Officers and Directors

The following table sets forth the names 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	Position(s)	Date of Appointment
Bob Ferris	Chief Executive Officer and Chairman of the Board of Directors	5/13/08
Don Andrus	President/COO Director	4/27/10 10/1/10
Matt Burlend	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. None of the officers and directors have positions of responsibility with other businesses.

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, CEO
Bob Ferris, serves as CEO and Chairman. He is the founder of the pre-merger VirTra company (Ferris Productions, Inc.) since 1993 and in 2008 became CEO of VirTra. He attended the US Air Force Academy, he received a degree in Systems Engineering from the University of Arizona with a minor in Software. Bob Ferris has been awarded a patent, spoken at various tradeshows, and developed ground-breaking simulation products highlighted in magazines such as *TIME*, *Wired* and *Popular Science*. Journalists have referred to Bob Ferris as one of the 'grandfathers' of virtual reality and simulation.

Don Andrus, President / COO
Don Andrus serves as president and COO. Don's background includes 24 years with May Department Stores: the last 6 as Chairman and COO of the Foley's Division based in Houston, Texas. Don also was owner and President of Andrus Consulting Group, also based out of Houston, Texas. Don's firearms training systems background began in 2005 as Vice President of Operations at Laser Shot which he left in 2008. Don is a veteran with experience as a military policeman in in the United States Air Force. Don is a graduate from the University of Pittsburgh with post graduate work at Columbia University in New York City, Arden House.

Matt Burlend, Vice-President of Production
Matt Burlend, serves as vice-president of production and senior engineer. Prior to joining the former Ferris Productions Inc., Matt worked as a production machine design engineer with Panduit Corporation. 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, 2010, years ended December 31, 2009 and December 31, 2008.

Name	Principal Position	Year	Salary	Stock Awards	Option Awards	All Other Comp.	Total
	YTD	2010	96,000	-	*	104,443	200,443
Robert D. Ferris	CEO	2009	95,000	-	*	67,971	162,971
	Chairman	2008	95,789	-	-	29,929	125,718
	YTD	2010	95,000	-	*	47,688	142,688
Matt Burlend	VP/Secretary	2009	90,000	-	*	36,460	126,460
	Director						
	YTD	2010	67,051	-	*	10,000	77,051
Don Andrus	President/COO						

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

* On March 31, 2009 the Board of Directors signed a resolution that authorized the compensation of the board of directors beginning as of January 1, 2009. Each member of the board of directors is to receive 50,000 stock option shares per quarter. The CEO of the Company is to receive an additional 100,000 stock option shares, the President an additional 75,000 stock option shares, and the Secretary of the Company is to receive an additional 50,000 stock option shares. Strike price for all these quarterly options is the closing price of the stock on the first day of the quarter. Redeemed stock options are those that the company paid the holder the cash difference between the strike price of the options and the closing stock price of the previous day and the holder forfeits the options. Table below shows the stock option summary for the Board of Directors.

Options Earned	Expiring	Strike Price	Grants	Redeemed or Expired	Exercised	Outstanding 12/30/10
Q1 2009	6/16/16	$ 0.03	300,000	50,000	-	250,000
Q2 2009	6/16/16	$ 0.03	300,000	50,000	-	250,000
Q3 2009	6/30/16	$ 0.05	300,000	50,000	-	250,000
Q4 2009	9/30/16	$ 0.089	300,000	50,000	-	250,000
Q1 2010	12/31/16	$ 0.07	300,000	50,000	-	250,000
Q2 2010	03/31/17	$ 0.068	300,000	50,000	-	250,000
Q3 2010	06/30/17	$ 0.052	300,000	50,000	-	250,000
Q4 2010	09/30/17	$ 0.061	375,000	-	-	375,000
Totals			2,475,000	350,000	-	2,125,000

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows, as of December 31, 2010, 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 7970 S. Kyrene Rd. Tempe, AZ 85284	CEO & Director	6,651,950	4.20%
Matt Burlend 7970 S. Kyrene Rd. Tempe, AZ 85284	Secretary & Director	-	0.00%
Don Andrus 7970 S. Kyrene Rd. Tempe, AZ 85284	President/COO & Director	150,000	0.10%

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

B. Legal/Disciplinary History

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

C. Disclosure of Family Relationships

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

D. Disclosure of Related Party Transactions

There were no material related party transactions.

E. Disclosure of Conflicts of Interest

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

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

See the following financial statements and accompanying notes.

VIRTRA SYSTEMS INC.

Balance Sheets as of December 31, 2010 and December 31, 2009

	12/31/10 (Unaudited)	12/31/09 (Unaudited)
ASSETS		
Cash and cash equivalents	$ 535,728	$ 109,981
Accounts receivable, net of allowances	1,104,470	1,295,695
Costs and estimated earnings in excess of billings on uncompleted contracts	243,050	289,613
Prepaid expenses	58,783	-
Inventory	179,428	-
Total current assets	2,121,459	1,695,289
Property and equipment, net of accumulated depreciation of $657,348 and $518,556, respectively	594,988	812,429
Intellectual property (see Note 11 and 13), net of accumulated amortization of $982,256 and $468,168, respectively	6,542,958	6,415,655
Other assets	30,391	14,168
Total non-current assets	7,168,337	7,242,252
TOTAL ASSETS	$ 9,289,796	$ 8,937,541
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	$ 302,745	$ 186,512
Accrued liabilities	187,005	909,930
Customer deposit	-	-
Billings in excess of costs and estimated earnings on uncompleted contracts	-	-
Total current liabilities	489,750	1,096,442
Loan - Land	-	535,000
Redeemable common stock	1,859	1,859
Total non-current liabilities	1,859	536,859
TOTAL LIABILITIES	491,609	1,633,301
STOCKHOLDERS' EQUITY		
Common stock, $.005 par value, 500,000,000 shares authorized, 158,328,245 and 146,331,254 shares issued and outstanding at December 31, 2010 and December 31, 2009, respectively	791,641	731,656
Additional paid in capital	12,170,075	11,755,975
Accumulated deficit	(4,163,529)	(5,183,391)
Total shareholders' equity	8,798,187	7,304,240
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,289,796	$ 8,937,541

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

VIRTRA SYSTEMS, INC.

Statements of Operations for the Three Months Ended December 31, 2010 and 2009 and Year Ended December 31, 2010 and 2009

	Three Months Ended December 31,		Year Ended December 31,	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
REVENUE				
New system sales	$ 2,247 ,535	$ 1,410,965	$ 6,416,966	$ 4,349,601
Other revenue	89,988	65,291	177,992	262,016
Total Revenues	2,337,523	1,476,256	6,594,958	4,611,617
Cost of sales and services	917,097	448,434	2,446,795	1,557,585
Gross margin	1,420,426	1,027,822	4,148,163	3,054,032
OPERATING EXPENSES				
General and administrative expenses	820,390	460,555	2,633,191	1,581,574
Income/(Loss) from operations	600,036	567,267	1,514,972	1,472,458
OTHER INCOME AND (EXPENSE) ITEMS:				
Other Expense	(427,195)	(6,252)	(524,018)	-
Interest expense and finance charges	(8,944)	(8,366)	(50,012)	(66,840)
Exchange Gain/(loss)	44,035	-	30,983	-
Interest & Other income	35,360	-	47,937	9,394
Total other income and expense items	(356,744)	(14,618)	(495,110)	(57,446)
Net income/(loss)	243,292	552,649	1,019,862	1,415,012
Weighted average shares outstanding - basic and fully diluted	158,178,788	144,824,687	152,625,732	140,676,229
Net gain(loss) per share - basic and fully diluted	$ 0.0015	$ 0.0038	$ 0.0067	$ 0.0101

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

VIRTRA SYSTEMS, INC.

Statement of Stockholders' Equity for the Year Ended December 31, 2010
(Unaudited)

	Common Stock				
	Shares	**Amount**	**Additional Paid In Capital**	**Accum. Deficit**	**Total**
Balance at December 31, 2009	146,331,254	$ 731,656	$11,755,975	$ (5,183,391)	$ 7,304,240
Dutchess Share Conversion	300,000	1,500	12,900	-	14,400
Dutchess Share Conversion	301,000	1,505	14,417	-	15,922
Dutchess Share Conversion	325,000	1,625	15,795	-	17,420
Dutchess Share Conversion	275,000	1,375	13,695	-	15,070
Net income, three months ended 3/31/10				30,439	30,439
Balance at March 31, 2010	147,532,254	$ 737,661	$11,812,782	$ (5,152,952)	$ 7,397,491
Commission Shares (11/15/07)	3,161,141	15,806	25,289	-	41,095
Krieg (12/11/07)	109,850	549	879	-	1,428
Dutchess Share Conversion	250,000	1,250	10,150	-	11,400
Bonus Shares (11/15/07)	1,250,000	6,250	43,750	-	50,000
Net income, three months ended 6/30/10				366,127	366,127
Balance at June 30, 2010	152,303,245	$ 761,516	$11,892,850	$ (4,786,825)	$ 7,867,541
Executive Options Exercised	5,000,000	25,000	-	-	25,000
Dutchess Share Conversion	400,000	2,000	16,600	-	18,600
Net income, three months ended 9/30/10				380,004	380,004
Balance at September 30, 2010	157,703,245	$ 788,516	$11,909,450	$ (4,406,821)	$ 8,291,145
Stock Options Exercised Q3	-	-	215,000	-	215,000
2005 Branden Interests Ltd	625,000	3,125	45,625	-	48,750
Net income, three months ended 12/31/10				243,292	243,292
Balance at December 31, 2010	158,328,245	$ 791,641	$12,170,075	$ (4,163,529)	$ 8,798,187

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

VIRTRA SYSTEMS, INC.

Statements of Cash Flows for the Year Ended December 31, 2010 and 2009
(Unaudited)

	Year Ended December 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 1,019,862	$ 1,415,012
Adjustments to reconcile net loss to net cash provided by/(used in) operations:		
Depreciation and amortization	652,880	534,997
Changes in operating assets and liabilities:		
Accounts receivable	191,226	(592,142)
Inventory	(179,428)	-
Prepaid expenses and other	(75,006)	18,029
Costs in excess of billings/(billings in excess of costs) and estimated earnings on uncompleted projects	46,563	(757,753)
Accounts payable and accrued liabilities	(378,339)	(159,854)
Other current liabilities	(12,770)	(83,114)
Net cash provided by/(used in) operating activities	1,264,988	375,175
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(618,296)	(281,671)
Land Disposition	161,945	-
Capitalized development costs	(641,391)	(283,823)
Net cash provided by/(used in) investing activities	(1,097,742)	(565,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and Equity increase from common stock issuance to accredited investors and others	479,885	325,500
Principal payments to Dutchess in cash, and notes payable	(215,584)	(62,160)
Buy-back common stock	(5,800)	(65,000)
Net cash provided by/(used in) financing activities	258,501	198,340
Net change in cash and cash equivalents	425,747	8,021
Cash and cash equivalents, beginning of period	109,981	101,960
Cash and cash equivalents, end of period	$ 535,728	$ 109,981

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

Notes to Financial Statements

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

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

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

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

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

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

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

Accounts receivable generally arise from sales of equipment and services to various clients throughout the world. Collateral is generally not required for domestic government customers but significant deposits are required for most international customers. At December 31, 2010 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, 2010.

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.

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

Note 3 – Dutchess Liabilities

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

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

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

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

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.

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.

Note 4 - Stock Options

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

In addition to the Directors options listed above (see part D, section XI, item A), the Company has the following options outstanding at December 31, 2010 (2009 Stock Option Incentive Plan and Other).

Issued	Expire	Weighted Avg Exercise Price	New Grants	Redeemed	Exercised	Outstanding 9/30/10
2010	2011	$ 0.04	-			500,000
2009	2016	$ 0.005	-	-	5,000,000	-
2010	2016	$ 0.04	400,000			400,000
2010	2016	$ 0.08	200,000			200,000
2010	2016	$ 0.076	100,000			100,000
2009	2016	$ 0.04	-	43,438	-	4,916,562
			700,000	43,438	5,000,000	6,116,562

VirTra deregistered its stock with the SEC in June 2008. The Corporation's deregistration of its stock terminated the Corporation's ability to issue registered and freely tradable stock to its employees under the Securities Act. On April 30, 2009 the Board of Directors resolved that the previous stock option plans be cancelled and adopted a new stock option plan detailed above. Due to deregistration with the SEC, any stock issued under the new stock option plan would be restricted (cannot sell for a period of one year). The company does have the right to redeem stock options for cash, but only when such redemption is in the best interests of the company, whereby the company pays the holder in cash the difference between the option strike price and the closing price of the stock on the previous day and the holder forfeits the stock options.

Note 5 - Common Stock Transactions

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

Note 6 - Accrued Liabilities

The following table summarizes the major items included in Accrued Liabilities at December 31, 2010 and December 31, 2009:

	12/31/10	12/31/09
Accrued payroll taxes, including penalties and interest	$ 121,411	$ 619,888
Dutchess liability	-	215,584
Deferred revenue	-	12,769
Other	65,594	61,689
Total Accrued Liabilities	**$ 187,005**	**$ 909,930**

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

At the end of 4th Quarter 2010, we had six large projects in the production stage. Our percentage of completion is based on total costs incurred to date compared to the estimated total cost of each contract. Of the partially completed work at December 31, 2010, we have incurred some of the costs on contracts totaling $1,174,268 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 $243,050 at December 31, 2010.

Note 8 - Other Assets

Other assets at December 31, 2010 are comprised of rental deposits.

Note 9 – Unpaid Payroll Taxes

Ferris Productions, Inc. had certain payroll tax liabilities which we inherited upon the combination of GameCom, Inc. and Ferris Productions. The combined company also incurred payroll tax liabilities. These liabilities are for unpaid payroll taxes between 2000 and 2003. The total amount of this liability, including principal and interest, is $121,411 at December 31, 2010.

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 10 – Related Party Transactions

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

Note 13 describes the land purchase transaction, which provides no financial benefit to a related party.

Note 11 – Capitalized Development Costs

VirTra has continued to employ qualified individuals for the exclusive purpose of scenario creation and the development of simulation software. At December 31, 2010 we had recorded $925,214 in development cost (Q1 2009 through Q4 2010) which represents resources used during the period. These costs were not included in the $6,600,000 recorded for Intellectual Property. See note 12. 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 $982,256 at December 31, 2010.

Note 12 – 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 13 – 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 Academy 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 14 – Subsequent Events

VirTra has paid $121,254 to the IRS, sent February 15, which is the final payment to eliminate that liability. As of today, in all accounts, both past and present, VirTra is in good standing with the IRS.

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

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

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

XIV. Beneficial Owners.

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

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

Intellectual Property Counsel
Lowell W. Gresham
Meschkow & Gresham, P.L.C.
5727 North 7th Street, Suite 409

Phoenix, Arizona 85014
telephone (602) 274-6996
telecopier (602) 274-6970
e-mail LWG@patentmg.com

Securities Counsel
Randall W. Heinrich
Gillis, Paris & Heinrich, PLLC
8 Greenway Plaza, Suite 818
Houston, Texas 77046
telephone (713) 951-9100
telecopier (713) 961-3082
e-mail heinrich@pgq.net

Certified Public Accountant
Jeffrey D. Brown, CPA
Jeffrey D. Brown, CPA, PLC
1745 S. Alma School Road Suite 225
Mesa, Arizona 85210
telephone (480) 820-6767
telecopier (480) 820-6565
e-mail jeff@JeffDBrownCPA.com

Independent Financial Reporting 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
e-mail mwright@wrightlawgroup.com

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 succeed at their mission and survive 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 simulation sales in their territories. VirTra is becoming a prized brand in other countries and 100% of every distributor who has our simulator for demonstration in their territory has been successful. When the quality of training is important, customers seem to prefer VirTra's line of simulators.

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

1. Customers – VirTra will provide excellent service, will develop new scenarios and continue to improve its simulation product line to maintain the lead as the 'premiere' firearm simulation company in the world.
2. Shareholders – One of VirTra's goals is to generate outstanding results for the shareholders.
3. Employees – VirTra attracts and 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 attendance for the leading US and international tradeshows.
5. International Growth – VirTra is increasing 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.

4th Quarter Review
The fourth quarter of 2010 was the highest revenue quarter in the history of the company. Sales of $2,337,523 for the quarter is a 58% improvement over last year ($861,276 increase).

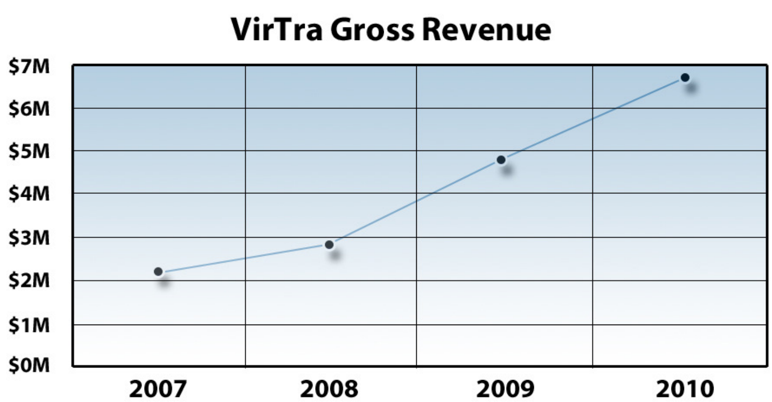
For the quarter the expense rate was 35.1% compared to 31.2% from Q4 2009. Costs were kept in line while continuing to allow accelerated growth on the top line.

Net income from operations grew from $567,267 to $600,036 for a 5.8% increase.

Net gain per share for the fourth quarter of 2010 was $.0015 compared to $.0038 per share in Q4 2009.

VirTra's cash was $535,728 as of December 31, 2010 compared to $109,981 as of December 31, 2009. Shareholder's equity jumped nearly $1.5 million to $8.80 million at Q4 2010 ended up from $7.30 million as of December 31, 2009.

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.



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 Academy, 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.

C. Analysis Points from President and COO - Donald R. Andrus

1. We are off to a good start but much work lies ahead.
2. We continue to look for and hire the very best talent available.
3. We are committed to building a first rate organization.
4. We have accelerated the hiring, training and development needs of a rapidly growing organization.
5. We will execute our strategic imperatives while maintaining a tactically sound day-to-day operation.
6. We will gain market share at all our business levels without compromising our pricing or our service level.
7. We have entered the single screen market with a quality product at an affordable price.
8. We will protect and leverage our intellectual property to drive new revenues.
9. We will carefully monitor expense outflows throughout this process to reduce and minimize accelerated expense rates during this high growth period.
10. We will accept nothing less than 100% customer satisfaction in all segments of our business.

D. Off-Balance Sheet Arrangements.

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

PART E ISSUANCE HISTORY

XVII. List of securities offerings and shares issued in the past two years. The Company had the following common stock transactions during the two years ended December 31, 2010:

Date	Shares Issued	Issued To	CEO when Commitment Originated	Notes
May 26, 2009	-5,000,000	Pine Springs Capital	Ferris	$65,000 buy-back of VirTra shares originally given to Perry Dalby
May 27, 2009	450,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
June 8, 2009	451,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
June 12, 2009	1,000,000	Mazuma	Ferris	$35,000 invested into the company
June 17, 2009	1,500,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
July 1, 2009	400,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
August 25, 2009	1,000,000	Mazuma	Ferris	$32,500 invested into the company
August 17, 2009	401,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
August 25, 2009	800,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
August 28, 2009	1,000,000	Mazuma	Ferris	$33,000 invested into the company
September 1, 2009	1,000,000	Mazuma	Ferris	$45,000 invested into the company
September 24, 2009	950,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
September 30, 2009	625,000	Individual	Dalby	$25,000 investment made in 2007 (restricted stock)
September 30, 2009	1,250,000	Individual	Dalby	$50,000 investment made in 2007 (restricted stock)
October 12, 2009	800,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
November 4, 2009	1,000,000	Individual	Jones	$5,000 Exercise of Stock Options (restricted one year)
November 5, 2009	500,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
November 13, 2009	500,100	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
November 23, 2009	1,500,000	Mazuma	Ferris	$93,715 invested into the company
January 13, 2010	300,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
February 1, 2010	301,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
February 9, 2010	325,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
March 9, 2010	275,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
April 1, 2010	3,161,141	Individual	Dalby	Commission Shares earned in 2007
April 1, 2010	109,850	Individual	Dalby	Krieg Shares (12/11/07)
May 3, 2010	250,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
June 30, 2010	1,250,000	Individual	Dalby	Bonus Shares earned in 2007
August 26, 2010	5,000.000	Individual	Ferris	Stock Option Shares Exercised
September 27, 2010	400,000	Dutchess	Jones/Dalby	Dutchess requested per our Settlement and Release Agreement
October 20, 2010	625,000	Branden Interests Ltd	Jones/Dalby	Investor requested per prior agreement

PART F EXHIBITS

XVIII. Material Contracts.

VirTra entered into a confidential and material contract with Gander Mountain in 2010.

XIX. Articles of Incorporation and Bylaws.

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

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

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

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

XXI. Certifications of Chief Executive Officer.

I, Robert D. Ferris, certify that:

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

Date: March 10, 2011

/s/ Robert D. Ferris
CEO/Chairman