



The Higher Standard in Virtual Training Simulation

**FINANCIAL INFORMATION
(UNAUDITED)**

THIRD QUARTER REPORT

SEPTEMBER 30, 2008

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Section One: Issuers' Initial Disclosure Obligations

PART A GENERAL COMPANY INFORMATION

- I. VIRTRA SYSTEMS, INC.**
- II. 1406 W. 14th Street Suite 101
Tempe, AZ 85281

(480) 968-1488**
- III. Originally incorporated in Delaware in May 1993, currently incorporated in Texas**

PART B SHARE STRUCTURE

IV. VIRTRA SYSTEMS, INC. COMMON STOCK

Trading Symbol: VTSL.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 Common Stock material rights**
- 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) September 30, 2008**
- (ii) Number of shares authorized 500,000,000**
- (iii) Total number of shares issued and outstanding 129,654,154**
- (iv) Freely tradable shares (public float) 93,733,351**
- (v) Total number of beneficial shareholders 2,355**
- (vi) Total number of shareholders of record 225**

(i)	December 31, 2007	
(ii)	Number of shares authorized	500,000,000
(iii)	Total number of shares issued and outstanding	127,154,154
(iv)	Freely tradable shares (public float)	87,962,360
(v)	Total number of beneficial shareholders	2,534
(vi)	Total number of shareholders of record	225
(i)	December 31, 2006	
(ii)	Number of shares authorized	500,000,000
(iii)	Total number of shares issued and outstanding	96,732,599
(iv)	Freely tradable shares (public float)	72,826,281
(v)	Total number of beneficial shareholders	2,777
(vi)	Total number of shareholders of record	225

PART C BUSINESS INFORMATION

VII. Transfer Agent:

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

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

Continental Stock and Transfer & Trust Company is registered under the exchange act. Transfer agent's regulatory authority is the S.E.C. and the Banking Commission of New York.

VIII. The nature of the issuer's business

A. Business Development

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

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

Perry V. Dalby, CEO and Director stepped down and removed himself from both executive positions in May 2008. Thomas J. Cloud, Director also resigned from the Board at the same time as Mr. Dalby's departure. Robert Ferris, President and Director has become the CEO and Chairman of the Board of Directors. H. Frank Stanley continues to be a Director on the Board.

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

VirTra entered into a Settlement and Release Agreement with Dutchess on September 30, 2008. This agreement supersedes all prior written or oral agreements, understandings, or representations of the parties relating to the same subject matter. VirTra agreed to pay \$550,000 (Principal Settlement Amount) by issuing common stock or paying cash. No interest will accrue on the Principal Settlement Amount. An adjustment was made to the current financial information adjusting the \$1.121 million judgment granted March 15, 2008. Also, the 1,650,000 shares of stock to be issued was replaced by the Principal Settlement Amount.

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

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

On May 13, 2004, suit was filed against us in the Court of Common Pleas of Richland County, South Carolina, in case number 04CP4002455, styled Garland and Leota Slagle v. VirTra Systems, Inc., seeking payment of the principal sum of \$90,000, plus accrued interest, in equipment leases allegedly entered into by the Slagles with the former Ferris Productions, Inc. in 2001. In May of 2006, judgment was awarded to the plaintiff in the amount of \$116,005. At present this liability remains unpaid and is accruing interest at the rate of 8% per annum. We have recorded liabilities of \$116,005 in principal and the calculated accrued interest. We have not made any payments on this judgment.

On December 30, 2004, suit was filed against us in the federal district court of North Carolina, in cause number 4:04-CV-199-H2, styled Edward and Linda Strickland v. VirTra Systems, Inc., seeking payment in the principal sum of \$72,000, plus accrued interest, in equipment leases allegedly entered into by Mr. Strickland with the former Ferris Productions, Inc. 2001. In February of 2006, we entered into an agreed judgment in the amount of \$85,000. We have recorded liabilities of \$85,000 in principal and the calculated accrued interest. We have not made any payments on this judgment.

On August 28, 2006 VirTra Systems received notice from Jones & Cannon, P.C. of Arlington, Texas, notifying the company of a lawsuit filed in the 352nd Judicial District Court of Tarrant County, Texas for fees and other charges that Jones & Cannon alleges are owed to it, in the amount of \$508,362.55. The suit is for fees and charges Jones & Cannon claims to have accrued during the time that Kelly Jones, its lead partner, served as CEO of VirTra Systems, Inc. On January 15, 2007 both parties agreed to a settlement of the claim whereby Jones & Cannon was to receive 5 million shares of our common stock in full settlement of the liability. Upon reaching this agreement, we extinguished the legal fees liability that we had recorded to that point, totaling \$498,607, recorded a liability resulting from the settlement in the amount of \$225,000 which was the fair value of 5 million shares of our common stock on the date of the agreement. We therefore recorded a gain on the settlement of \$273,607 as of 12/31/2007. On August 29, 2007, we issued 2,500,000 shares to Jones & Cannon as partial settlement of this lawsuit. We valued these shares at one-half of our settlement amount, or \$112,500. On February 25, 2008 the remaining 2,500,000 shares of stock were issued to Jones & Cannon for final payment of the lawsuit. This lawsuit is completely settled.

B. Business of Issuer

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

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

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

Research and Development

We have recorded \$44,547 in research and development costs in the past two fiscal years. Most research and development costs for the past two fiscal years have been expensed.

Company Employees

VirTra Systems, Inc. has a total of 17 employees of which 10 are full-time. VirTra has created a distributor network, where local agents sell and service VirTra products throughout the world. The total number of employees of VirTra's distributor network is approximately 120 employees worldwide. VirTra agents and distributors have the ability to positively affect VirTra's performance.

IX. The nature of products or services offered.

For over 15 years, VirTra Systems has produced leading simulation products for customers throughout the world. The company recruits the best and brightest in the industry, resulting in simulators with the most sought after features at prices below professional competitors. This explosive combination, coupled with unparalleled "go the extra mile" customer service has attracted a large flow of new clients, including international distributors, law enforcement agencies, every branch of the military armed services, federal agencies and international customers.

The Need for Realistic Training

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

Real-World Training

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

Return Fire

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

Immersive Training

VirTra Systems didn't just bring the visual display closer to the real-world, it has also revolutionized the use of audio. VirTra has developed a training stage with a 2000 watt audio & transducer system, resulting in high fidelity audio simulation. The immersive components of the systems are so realistic it can make a trainee feel a nearby explosion, simulate the noise of a busy street, or even make you believe a helicopter is overhead. The unique combination of HD 360-degree visuals, powerful audio, and return fire capabilities create a training environment that is closer to real-world situations than any other simulator in the world!

The Multi-Functional Simulator

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

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

Realistic and Safe Recoil for Firearms

Simulation realism continues with a huge selection of state-of-the-art recoil kits. VirTra offers powerful recoil kits that closely match the recoil force of a live firearm, but use no blanks or live rounds. The recoil kits simply fit into a trainee's actual weapon, or can be placed in a dedicated training weapon. VirTra's recoil systems are the most reliable on the market and they use safe and inexpensive CO2. We offer a full line of belt-pack and state-of-the-art tetherless recoil kits ranging from pistols, to assault rifles, and heavy machine guns as well as less lethal options.

Live Fire

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

Training Content

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

International Expansion

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

Licensing

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

Service and Support

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

Market Penetration

Since 2004, the installation base of our IVR HD and IVR 4G models grew both internationally and domestically, as we gained new military and law enforcement customers.

In addition, our IVR 4G military version simulators were sold or installed, both domestically and abroad, at MacDill AFB, Florida; Fort Hood, Texas; and at two Mexican locations. We announced our initial sale in this market in September of 2003, and, as of December 31, 2007, we had sold to the following:

- Law enforcement agencies throughout the United States
- US Marines bases
- US Army bases
- US Air Force bases
- US Navy base

- a classified Department of Defense customer
- the United States Marshals Service
- the Department of Homeland Security - Transportation Security Administration
- police academies and community colleges hosting law enforcement training programs
- a private defense industry customer - Raytheon Missile Systems
- several state police and security organizations in Mexico
- an undisclosed South American customer

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

Divesting Activities

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

Competition

Currently, VirTra Systems does not have competition with: Multi-screen HD video simulators, Threat-Fire™ shoot-back devices, or VirTra's unique immersive training methodologies.

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

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

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

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

Firearms Training Systems, Inc. ("FATS") claims to have over 4,000 training systems installed worldwide by military, law enforcement, and commercial customers. FATS is a full service training/simulation company that also uses video scenarios with single-screen technology for law enforcement. For military FATS produces multi-screen computer generated systems, that appear to be several generations behind current technology. FATS also produces other types of simulators and recoil weapons. AIS, Cubic and FATS products are similar in many respects, although FATS has been in the market longer. Most all of FATS revenue is from military sales.

Laser Shot is a supplier of basic video game simulation equipment to home enthusiasts, all the way up to law enforcement and military simulators. It is trying to attack many markets simultaneously such as: home use, hunter training, live-fire ranges, virtual law enforcement and virtual military marketplaces. Laser Shot provides multi-screen systems with computer-generated images, but is unable to produce VirTra's patent-pending Threat-Fire belt or High-definition video training on multiple screens (Hybrid-CGI). This company is directly competing with VirTra Systems for the same customers in some cases. Most all of Laser shot's revenue is from military sales.

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

IES Interactive Training, Inc. is a supplier of single-screen simulation equipment to law enforcement. Having fielded several hundred single screen systems in the law enforcement marketplace, which is its main focus.

The above summaries of competition are by no means exhaustive, since these industries are fluid and, at times, rapidly expanding.

Major Customers

VirTra has international revenue of approximately 35% which comes from multiple distributors who sell to a variety of customers. Domestic customers are not excessively concentrated with one at 20% and another at 14% of current year revenue. These were large deals that consistently shift among different customers on an ongoing basis. All other domestic customers are 6% and below of overall revenue.

Trademarks/Patents

We have obtained a patent for our Universe Control Board™, and various federal trademarks. We have also filed for federal registration of our “Immersive Virtual Reality™” and “IVR™” trademarks.

On December 3, 2004, in advance of industry demonstration at the industry-leading Interservice/Industry Training and Simulation Education Conference in Orlando, Florida, we submitted three separate provisional patent applications for innovations in the field of firearms training. These included: 1) the Threat-Fire™ Belt, 2) our Hybrid-CGI™ software, and 3) a "drop-in" kit and magazine for wireless recoil in real weapons.

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

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

Our corporate and production offices were consolidated in early 2008. The 8,000 sq. foot facility is located in Tempe, Arizona, in leased space that costs \$7,611 per month. Our lease expires in October 2009.

PART D Management Structure and Financial Information

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

A. Officers and Directors

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

Name	Age	Position(s)	Date of Appointment
Bob Ferris	37	Chief Executive Officer and Chairman of the Board of Directors	05/13/08
H. Frank Stanley	42	Director	07/28/06

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

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

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

Bob Ferris had been president of the former Ferris Productions, Inc. since he founded that company in 1993 and on May 13th, 2008 became CEO of VirTra. Bob Ferris attended the US Air Force Academy with a major in Management and was the only student selected for Neutron Beam Research as part of the SDI (Strategic Defense Initiative). Also, he received a degree in Systems Engineering from the University of Arizona. While at the University, he was elected as President of the Engineering College and awarded a research grant from the Honors College to study Data Visualization in Virtual Reality. Bob Ferris has been awarded a patent, spoken at various tradeshow, developed ground-breaking simulation products highlighted in magazines such as TIME, WIRED and Popular Science. Bob Ferris has been referred to by journalists as one of the ‘grandfathers’ of virtual reality and simulation.

H. Frank Stanley retired as a major in military intelligence from the U.S. Army after serving for over 20 years. His military experiences range from instruction and leadership in special operation tactics to weapons training. Stanley's military duties have taken him from service in the United States to Bosnia and Iraq. Most recently, he served in Baghdad, Iraq, as the Army's chief of intelligence leading the War Crimes Investigations Team, hunting Iraq's 52 most-wanted war criminals. Mr. Stanley is presently a real estate development executive with Cushman & Wakefield in Houston.

EXECUTIVE COMPENSATION

This summary compensation table shows certain compensation information for services rendered in all capacities during the year ended December 31, 2008 and for the nine months ended September 30, 2008.

Name	Principal Position	Year	Salary	Stock Awards ⁽²⁾	Option Awards	All Other Comp.	Total
Robert L. Ferris	President	2008	71,667	-	-	2,433	74,100
		2007	101,575	37,111	-	-	138,686
H. Frank Stanley	Director	2008	-	-	-	-	-
		2007	-	37,111	-	-	37,111

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows, as of September 30, 2008, information about equity securities we believe to be owned of record or beneficially by:

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

Name and Address of Beneficial Owner	Officer or Director	Amount of Beneficial Ownership	Percent of Class
Robert Ferris 1941 South Brighton Circle Mesa, Arizona 85208	Director	6,139,915	4.74%
H. Frank Stanley 2500 CityWest Houston, Texas 77042	Director	1,091,501	0.84%

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

B. Legal/Disciplinary History

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

C. Disclosure of Family Relationships

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

D. Disclosure of Related Party Transactions

There were no material related party transactions. See Note 13 to the financial statements.

E. Disclosure of Conflicts of Interest

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

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

See the following Financial Statements and accompanying notes.

VIRTRA SYSTEMS INC.

Balance Sheets as of September 30, 2008 and December 31, 2007

	9/30/08	12/31/07
	(Unaudited)	
<u>ASSETS</u>		
Cash and cash equivalents	\$ 116,456	\$ 16,646
Accounts receivable, net of allowances	414,513	185,036
Costs and estimated earnings in excess of billings on uncompleted contracts	-	2,566
Prepaid expenses	-	350,200
Total current assets	530,969	554,448
Property and equipment, net of accumulated depreciation of \$429,340 and \$411,210, respectively	48,017	55,461
Other assets	11,030	14,530
Total non-current assets	59,047	69,991
TOTAL ASSETS	\$ 590,016	\$ 624,439
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
<u>LIABILITIES</u>		
Notes payable	\$ 30,000	\$ 30,000
Obligations under product financing arrangements	403,437	388,636
Convertible debentures, net of discount of \$0 and \$114,141, respectively	-	172,286
Derivative liability	-	338,135
Accounts payable	627,126	869,726
Accrued liabilities	1,910,494	2,619,614
Stock payable	50,000	50,000
Advanced held on deposit	-	59,137
Billings in excess of costs and estimated earnings on uncompleted contracts	52,069	-
Payable to related party	56,235	81,111
Total current liabilities	3,129,361	4,608,645
Redeemable common stock	1,859	1,859
Total non-current liabilities	1,859	1,859
TOTAL LIABILITIES	3,131,220	4,610,504
<u>SHAREHOLDERS' DEFICIT</u>		
Common stock, \$.005 par value, 500,000,000 shares authorized, 129,654,154 and 127,154,154 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	648,271	635,771
Additional paid in capital	11,264,460	11,228,153
Accumulated deficit	(14,453,935)	(15,849,989)
Total shareholders' deficit	(2,541,204)	(3,986,065)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 590,016	\$ 624,439

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

VIRTRA SYSTEMS, INC.

Statements of Operations for the Three and Nine Months Ended September 30, 2008 and 2007
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<u>REVENUE</u>				
New system sales	\$ 783,880	\$ 1,188,309	\$ 1,829,789	\$ 1,780,670
Other revenue	85,938	34,016	364,958	46,853
Total Revenues	869,818	1,222,325	2,194,747	1,827,523
Cost of sales and services	441,243	476,036	1,307,835	764,807
Gross margin	428,575	746,289	886,912	1,062,716
<u>OPERATING EXPENSES</u>				
Gain on legal settlement	-	(273,607)	-	(273,607)
General and administrative expenses	120,859	1,280,723	598,265	1,797,167
Income/(Loss) from operations	307,716	(260,827)	288,647	(460,844)
<u>OTHER INCOME AND (EXPENSE) ITEMS:</u>				
Forgiveness of debt income	-	95,549	94,672	95,549
Gain/(loss) on litigation settlements	581,337	-	906,024	-
Impairment of assets	-	-	-	-
Interest expense and finance charges	(38,561)	(138,179)	(233,102)	(301,432)
Gain/(loss) on derivative liability	-	(17,744)	338,135	(16,961)
Gain on sales of assets	-	2,813	-	2,813
Other income and expense	149	-	1,677	-
Total other income and expense items	542,925	(57,561)	1,107,406	(220,031)
Net income/(loss)	850,641	(318,388)	1,396,053	(680,875)
Weighted average shares outstanding - basic and fully diluted	129,654,154	111,796,622	129,070,212	105,284,952
Net gain(loss) per share - basic and fully diluted	\$ 0.007	\$ (0.003)	\$ 0.011	\$ (0.006)

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

VIRTRA SYSTEMS, INC.

**Statement of Stockholders' Deficit for the Nine Months Ended September 30, 2008
(Unaudited)**

	<u>Common Stock</u>		Additional Paid In Capital	Accum. Deficit	Total
	Shares	Amount			
Balance at December 31, 2007	<u>127,154,154</u>	<u>\$ 635,771</u>	<u>\$11,228,153</u>	<u>\$ (15,849,989)</u>	<u>\$ (3,986,065)</u>
Settlement of lawsuit	2,500,000	12,500	35,000		47,500
Imputed interest on notes	-	-	1,307		1,307
Net loss, three months ended 3/31/08				<u>(518,221)</u>	<u>(518,221)</u>
Balance at March 31, 2008	<u>129,654,154</u>	<u>\$ 648,271</u>	<u>\$11,264,460</u>	<u>\$ (16,368,210)</u>	<u>\$ (4,455,479)</u>
Net income, three months ended 6/30/08				<u>1,063,634</u>	
Balance at June 30, 2008	<u>129,654,154</u>	<u>\$ 648,271</u>	<u>\$11,264,460</u>	<u>\$ (15,304,576)</u>	<u>\$ (3,391,845)</u>
Net income, three months ended 9/30/08				<u>850,641</u>	<u>850,641</u>
Balance at September 30, 2008	<u>129,654,154</u>	<u>\$ 648,271</u>	<u>\$11,264,460</u>	<u>\$ (14,453,935)</u>	<u>\$ (2,541,204)</u>

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

VIRTRA SYSTEMS, INC.

Statements of Cash Flows for the Nine Months Ended September 30, 2008 and 2007
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 1,396,054	\$ (680,875)
Adjustments to reconcile net loss to net cash provided by/(used in) operations:		
Depreciation and amortization	28,387	100,472
Forgiveness of debt income	-	(95,549)
Gain on sale of assets	-	(2,813)
Change in fair value of derivative	(338,135)	16,961
Bad debt expense	-	-
Common stock issued for services and settlement	48,807	368,219
Grant of options and warrants to employees, officers and directors	-	413,445
(Gain)/loss on settlement of litigation	(857,427)	(273,607)
Amortization/impairment of debt discount	114,141	129,250
Changes in operating assets and liabilities:		
Accounts receivable	(229,477)	329,030
Prepaid expenses and other	353,700	-
Costs in excess of billings/(billings in excess of costs) and estimated earnings on uncompleted projects	54,635	(86,495)
Accounts payable and accrued liabilities	(365,919)	(168,507)
Advanced held on deposit	(59,137)	(25,937)
Related party payables	(24,876)	97,159
Other current liabilities	-	(60,726)
Net cash provided by/(used in) operating activities	120,753	60,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(20,943)	(12,524)
Proceeds from the sale of assets	-	-
Net cash provided by/(used in) investing activities	(20,943)	(12,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	-	-
Principal payments on notes payable	-	(75,000)
Proceeds from issuances of common stock	-	81,250
Net cash provided by/(used in) financing activities	-	6,250
Net change in cash and cash equivalents	99,810	53,753
Cash and cash equivalents, beginning of period	16,646	91,221
Cash and cash equivalents, end of period	\$ 116,456	\$ 144,947

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

VIRTRA SYSTEMS, INC.

Notes to Financial Statements

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

Basis of Presentation

The accompanying un-audited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2007. They do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended December 31, 2007 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission. 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 custom application contracts are recognized on a percentage-of-completion basis, measured by the percentage of costs incurred to date to total estimated costs for each contract. Contracts costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. General and administrative costs are charged to expense as incurred.

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

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

Credit Risk

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

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

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

At September 30, 2008 we had no reserve for doubtful accounts as all material amounts of our receivables were collected in October 2008.

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 September 30, 2008.

Property and Equipment

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

Debt Issuance Costs

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

Shipping and Delivery Costs

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

Income Taxes

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

Income (Loss) Per Share

Basic income (loss) per share is computed on the basis of the weighted average number of shares of common stock outstanding during each period. Diluted income (loss) per share is calculated by adjusting the outstanding shares by common equivalent shares from common stock options and warrants. There were no common stock equivalents included in diluted EPS at September 30, 2008 and 2007 as the effect would be anti-dilutive.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the carrying value of a long-lived asset, including associated intangibles, may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows associated with the asset or the asset's estimated fair value to the asset's carrying amount to determine if a write-down to market value or discounted cash flow is required.

For the twelve months ended December 31, 2007, we impaired our capitalized development costs related to our proprietary software used to govern our IVR systems. At December 31, 2007, we deemed the carrying value of this asset as zero.

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.

Reclassification

Certain amounts reported in the prior period financial statements have been reclassified to the current period presentation.

Note 2 – Going Concern

As reflected in the accompanying financial statements, the Company has significant operating profit for the past two quarters. There is no guarantee that the Company will continue 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 – Prepaid Expenses

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

Note 4 - Convertible Debentures and Derivative Liability

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

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

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

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

Derivative Liability

Based on the judgment in Note 2, the Company concluded that these convertible debentures have no further rights or obligations arising out of the financing relationship.

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

Note 5 - Stock Options and Warrants

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

The Company has the following options and warrants outstanding at September 30, 2008.

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

Note 6 - Commitments and Contingencies

Garland and Leota Slagle v. VirTra Systems, Inc

On May 13, 2004, suit was filed against us in the South Carolina state court, in cause number 04CP402455, styled *Garland and Leota Slagle v. VirTra Systems, Inc.*, seeking payment of the principal sum of \$90,000, plus accrued interest, in equipment leases allegedly entered into by the Slagles with the former Ferris Productions, Inc. in 2001. In May of 2006, judgment was awarded to the plaintiff in the amount of \$116,005. At present this liability remains unpaid and is accruing interest at the rate of 8% per annum. We have recorded a liability of \$116,015 in principal and accrued interest of \$17,917. We have not made any payments on this judgment.

Edward and Linda Strickland v. VirTra Systems, Inc

On December 30, 2004, suit was filed against us in the federal district court of North Carolina, in cause number 4:04-CV-199-H2, styled *Edward and Linda Strickland v. VirTra Systems, Inc.*, seeking payment in the principal sum of \$72,000, plus accrued interest, in equipment leases allegedly entered into by Mr. Strickland with the former Ferris Productions, Inc. in 2001. In February of 2006, we entered into an agreed judgment in the amount of \$85,000. We have recorded liabilities of \$85,000 in principal and \$14,885 in accrued interest. We have not made any payments on this judgment.

Jones & Cannon, PC

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

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

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

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

Note 7 - Common Stock Transactions

No additional stock grants occurred during the quarter ending September 30, 2008.

Note 8 - Accrued Liabilities

The following table summarizes the major items included in Accrued Liabilities at September 30, 2008 and December 31, 2007:

	<u>09/30/08</u>	<u>12/31/07</u>
Accrued payroll taxes, including penalties and interest	\$ 1,002,591	\$ 1,002,641
Accrued interest payable debenture judgment	550,000	1,187,870
Accrued lawsuit judgments and settlements	241,857	162,297
Deferred revenue	36,312	29,643
Other	79,734	237,163
Total Accrued Liabilities	\$ 1,910,494	\$ 2,619,614

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

We had several projects near the completion 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 September 30, 2008, we have incurred total costs of \$160,201 on contracts totaling \$599,664 of total revenue. We estimate that we will incur approximately \$34,000 of additional costs and do not expect to incur any losses on our uncompleted contracts. Our billings in excess of costs and estimated earnings on uncompleted contracts total \$52,069 at September 30, 2008.

Note 10 - Other Assets

Other assets at September 30, 2008 are comprised of rental deposits.

Note 11 – Redeemable Common Stock

In 1997 the Company entered into an agreement to redeem 1,505,399 shares of common stock from certain stockholders at par value of \$.005 per share with the consideration for such redemption to be paid pro-rata to such stockholders by March 31, 1998. During 2000 the Company and stockholders released 727,108 shares of common stock from the redemption requirement and 287,531 shares were redeemed. During 2004 the Company released an additional 16,559 shares of common stock from the redemption requirement and 67,743 shares of common stock were redeemed. During 2005, the Company redeemed 34,624 shares of common stock. None were redeemed in 2006 or 2007, and 371,834 shares remain to be redeemed at the option of the Company.

Note 12 – Unpaid Payroll Taxes

Ferris Productions, Inc. had certain payroll tax liabilities which we inherited upon the combination of GamCom, 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 \$1,002,591 at September 30, 2008.

We entered into an agreement with the Internal Revenue Service to repay the liability according to the following terms: the total amount of the liability of \$1,002,641 would be repaid in quarterly installments: four quarterly payments of \$25,000 beginning March, 2008. In March 2009, the quarterly payment amount graduates to \$50,000 per quarter. In March 2010, the quarterly payment amount graduates to \$75,000 and continues until the debt is fully paid. VirTra is current with these IRS payments.

Note 13 – Related Party Transactions

Included in other current liabilities on the balance sheet is \$56,235 owed to an officer of the company for advances he has made to VirTra Systems over the years. The advance is non-interest bearing.

Note 14 – Subsequent Events

On August 20, 2008 the Board approved, by consent to action in lieu of special meeting, the issuance of 5,000,000 shares of common stock to Perry Dalby. The issuance will satisfy all amounts owed to Mr. Dalby. VirTra's management requested the stock be issued during the third quarter but was delayed for some unknown reason. Continental Stock Transfer is working on issuing the stock. The transaction should be completed by year end 2008. The Board further resolved to issue 5,000,000 stock options for employees at a strike price as of August 20, 2008 of \$.005. The issuance of these stock options is still pending.

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

See **Forms 10-KSB** on the US Securities and Exchange Commission's EDGAR reporting system for the years ending December 31, 2007 and December 31, 2006. Filing Dates 2008-04-15 and 2007-04-17. Link to the reports below. You may need to copy and paste the link 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 issuers 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

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Independent Financial Reporting Counsel

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Mesa, Arizona 85206-4398
telephone (480) 766-8702
telecopier (866) 354-3363
e-mail Darren.DeLange@azbar.org

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

A. Plan of Operation.

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

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

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

1. Customers – VirTra will provide excellent service, will develop new scenarios and continue to improve its simulation product line to maintain the lead as the 'premiere' simulator in the world at an affordable price.
2. Shareholders – Profitability is a key to increasing the value of the Company and avoiding the need for debt or share issuances, which erode shareholder value.
3. Employees – VirTra works hard to attract and maintain the best and brightest employees in the industry.
4. US Growth – An increase in marketing and awareness will lead to an increase in sales. VirTra plans to greatly increase tradeshow attendance for the leading US tradeshows.
5. International Growth – VirTra is increasing its support of international distributors to increase international sales.
6. Equity and debt – VirTra will preserve equity and eliminate debt whenever it makes the most sense to the Company.

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

For the nine months ending September 30, 2008, gross revenue grew from \$1,827,523 to \$2,194,747, from an overall increase in sales activity.

General and administration costs are drastically lower from \$1,280,723 for the same quarter in 2007 down to \$120,859 for 3rd quarter 2008. While overall operations are far more efficient than the same period last year, the 2007 costs were far higher than normal.

Net profit from operations increased from a loss of \$260,827 for 3rd quarter 2007 to \$307,716 for 3rd quarter 2008, this is an increase in operating profit of \$568,543. The total net profit totaled \$850,641 for the 3rd quarter 2008 with \$581,337 attributed to the settlement agreement with Dutchess.

Net profit per share for the quarter was \$.007. Net profit for the year totals \$.011 per share.

Overall, VirTra has made significant improvements in financial performance in 2008. For nine months ending September 30, 2008, net profit is \$1,396,053 compared with a loss of \$680,875 during 2007.

C. Off-Balance Sheet Arrangements.

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

PART E ISSUANCE HISTORY

XVII. List of securities offerings and shares issued in the past two years.

The Company had the following common stock transaction during the 12 months ended December 31, 2006:

604,320 shares of stock were issued to consultants and others recorded at the fair market value of the shares issued based upon the closing price of the Company's stock resulting in \$30,216 of expense in the statement of operations.

17,454,541 shares were issued for cash, approximately 11,000,000 shares were issued at \$0.04 as part of a private placement transaction with the remainder representing shares to Dutchess Private Equities Fund I, LLC.

3,000,000 shares were issued to shareholder for amounts due to CapNet Securities, the transaction was valued at the closing price of the Company's stock resulting in \$135,000 being recorded as amounts due from CapNet.

9,690,138 shares were issued for the conversion of the Company's convertible debentures resulting in \$449,427 of conversions.

The Company had the following common stock transactions during the 12 months ended December 31, 2007:

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

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

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

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

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

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

On August 29, 2007, we issued 2,500,000 shares to Jones and Cannon as partial settlement of our lawsuit. We valued these shares at one-half of our settlement amount, or \$62,500 (See Note 12).

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

Stock payable:

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

The Company had the following common stock transactions during the 9 months ended September 30, 2008:

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

PART F EXHIBITS

XVIII. Material Contracts.

There are no material real estate contracts in force or pending. There are no current negotiations or plans to sell VirTra in the immediate future.

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.

VirTra has no registered By-laws.

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

No purchases of equity securities by VirTra or an affiliated purchaser took place during the past year ending September 30, 2008.

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: November 19, 2008

/s/ Robert D. Ferris

CEO/President