

VirTra, Inc
Form 253G3
January 10, 2018

Filed Pursuant to Rule 253(g)(3)

File No. 024-10739

Offering Circular Dated January 10, 2018

VIRTRA, INC.

\$5,000,000 Minimum Offering Amount (1,428,571 Shares of Common Stock)

\$10,000,000 Maximum Offering Amount (2,857,142 Shares of Common Stock)

VirTra, Inc., a Nevada corporation (the “Company”), is offering a minimum of 1,428,571 shares of Common Stock and a maximum of 2,857,142 shares of Common Stock (the “Offered Shares”), par value of \$0.0001 per share (the “Common Stock”), on a “best efforts” basis. The minimum offering amount (“Minimum Offering Amount”) is \$5,000,000 and the maximum offering amount (“Maximum Offering Amount”) is \$10,000,000. The initial public offering price per share of Common Stock is \$3.50 per share. This offering will terminate on the date which is ninety (90) days immediately following the date of qualification, subject to extension for up to ninety (90) days with the mutual agreement of us and our Underwriters, as defined below; provided that, if we have received and accepted subscriptions for the minimum number of Offered Shares on or before the date which is ninety (90) days immediately following the date of qualification, or the end of the ninety (90) day extension, if exercised, then we will close on the minimum offering amount (the “Initial Closing”) and this offering will continue until the earliest of (i) the date which is ninety (90) days after the Initial Closing, or (ii) with the mutual agreement of us and our Underwriters, a date which is less than ninety (90) days after the Initial Closing in order to coordinate with the commencement of exchange trading of our Common Stock, or (iii) the date on which the maximum offering amount is sold (such earliest date, the “Termination Date”). If, on the Initial Closing date, we have sold less than the maximum number of Offered Shares, then we may hold one or more additional closings for additional sales (each an “Additional Closing”), up to the maximum number of Offered Shares, and until the Termination Date. Our company and the Underwriters will consider various factors in determining the timing of any Additional Closings, including the amount of proceeds received at the Initial Closing, any Additional Closings that have already been held, the level of additional valid subscriptions received after the Initial Closing, the eligibility of additional investors under applicable laws and coordination with the commencement of exchange trading of our Common Stock.

Until we achieve the minimum offering amount, the proceeds for the offering will be kept in a non-interest bearing account (the “Offering Escrow Account”). Upon achievement of the minimum offering amount and the closing on such amount, the proceeds from the minimum offering amount will be distributed to us and the associated Offered Shares

will be issued to the investors. Upon each Additional Closing, if any, the proceeds subject to that Additional Closing will be distributed to us and the associated Offered Shares will be issued to the investors in such Offered Shares. If the offering does not close, the proceeds for the offering will be promptly returned to investors, without deduction and without interest. FinTech Clearing, LLC will serve as the Offering Escrow Account agent. Checks should be made payable to FinTech Clearing, LLC (the "Deposit Account Agent") as deposit account agent for VirTra, Inc.

The minimum purchase requirement per investor is \$1,000; however, we can waive the minimum purchase requirement on a case-by-case basis in our sole discretion. We commenced the sale of the Offered Shares as of the date on which the Offering Statement the ("Offering Statement") of which this Offering Circular is a part, was qualified by the United States Securities and Exchange Commission (the "SEC").

Our Common Stock is quoted on the OTCQX tier of the OTC Markets under the symbol, "VTSI." On December 20, 2017, the last reported sale price of our Common Stock on the OTCQX was \$2.74 per share. We intend to apply to list our Common Stock on the NASDAQ Capital Market ("NASDAQ") under the symbol "VTSI" after we register our common stock under the Securities Exchange Act of 1934, as amended ("Exchange Act"), upon the qualification of this offering. Our Common Stock will not commence trading on NASDAQ until a number of conditions are met for us to meet the initial listing requirements of NASDAQ. We will not consummate and close this offering without a listing approval letter from NASDAQ.

We have engaged Boustead Securities, LLC, a registered broker-dealer and a member of the Financial Industry Regulatory Authority (“FINRA”), as the underwriter (the “Underwriter”) to offer the Offered Shares to prospective investors in the United States on a best efforts basis, and our Underwriter will have the right to engage such other broker-dealers or agents as it determines to assist in such offering.

A maximum of \$10,000,000 of Offered Shares will be offered worldwide. All Offered Shares will be initially offered in all jurisdictions at the same U.S. dollar price that is set forth in this Offering Circular.

See “Underwriting” and “Description of Securities” for a description of our capital stock.

We are an “emerging growth company,” as such term is defined in Section 2(a)(19) of the Securities Act of 1933, as amended, and we will be subject to reduced public reporting requirements. See “Emerging Growth Company and Smaller Reporting Company Status.”

Shares Offered by Company	Number of Shares	Price to Public	Underwriting Discounts and Commissions (1) (2)	Proceeds, Before Expenses, to Company ⁽³⁾
Per Share:		1 \$ 3.50	\$ 0.245	\$ 3.255
Underwriters’ Warrant:	Number of shares equal to 7% of the number of shares of Common Stock sold and issued in this offering	Not applicable	Not applicable	Not applicable
Shares of Common Stock Underlying Underwriters’ Warrant:	Number of shares equal to 7% of the number of shares of Common Stock sold and issued in this offering	\$ Not applicable	Not applicable	Not applicable
Total Minimum:	1,428,571	\$ 5,000,000	\$ 350,000	\$ 4,650,000
Total Maximum:	2,857,142	\$ 10,000,000	\$ 700,000	\$ 9,300,000

(1) This table depicts broker-dealer commissions of 7% of the gross offering proceeds. Please refer to the section entitled “Underwriting” beginning on page 25 of this Offering Circular for additional information regarding total underwriter compensation. In addition, we have agreed to reimburse the Underwriter for its reasonable out-of-pocket expenses subject to our prior written consent. We will pay the Underwriter an advisory fee, consisting of \$25,000 upon the closing of the Offering. We have also agreed to pay up to an additional \$75,000 for reimbursement of the Underwriter’s legal counsel fees, subject to certain conditions, and pay up to \$50,000 for a third party due diligence report, of which \$25,000 was paid upon the execution of the engagement agreement.

(2) In addition to the broker-dealer discounts and commissions included in the above table, our Underwriters will have the right to acquire warrants to purchase shares of our common stock equal to 7% of the aggregate shares sold in this offering (“Underwriter Warrants”). The Underwriter Warrants have an exercise price of 120% of the offering price.

(3) Does not include estimated offering expenses including, without limitation, legal, accounting, auditing, listing fees, deposit Account Agent, transfer agent, other professional, printing, advertising, travel, marketing, blue-sky compliance and other expenses of this Offering. We estimate the total expenses of this Offering, excluding the Underwriter’s commissions, will be approximately \$369,500 (which includes \$150,000 of Underwriters expenses). See “Underwriting” beginning on page 25.

Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and non-natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

An investment in our Common Stock is subject to certain risks and should be made only by persons or entities able to bear the risk of and to withstand the total loss of their investment. Prospective investors should carefully consider and review the RISK FACTORS beginning on page 11.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, OR THE COMMISSION, DOES NOT PASS UPON THE MERITS OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED ARE EXEMPT FROM REGISTRATION.

This Offering Circular follows the disclosure format of Part I of Form S-1 pursuant to the general instructions of Part II(a)(1)(ii) of Form 1-A.

The date of this Offering Circular is January 10, 2018.

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We have not authorized anyone to provide any information other than that contained or incorporated by reference in this Offering Circular prepared by us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This Offering Circular is an offer to sell only our Common Stock offered hereby but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Offering Circular is current only as of its date, regardless of the time of delivery of this Offering Circular or any sale of the Common Stock.

For investors outside the United States: We have not done anything that would permit this Offering or possession or distribution of this Offering Circular in any jurisdiction where action for that purpose is required, other than the United States. You are required to inform yourselves about and to observe any restrictions relating to this Offering and the distribution of this Offering Circular.

MARKET AND INDUSTRY DATA AND FORECASTS

Certain market and industry data included in this Offering Circular is derived from information provided by third-party market research firms or third-party financial or analytics firms that we believe to be reliable. Market estimates are calculated by using independent industry publications, government publications and third-party forecasts in conjunction with our assumptions about our markets. We have not independently verified such third-party information. The market data used in this Offering Circular involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under the headings “**Cautionary Statement Regarding Forward-Looking Statements**” and “**Risk Factors**” in this Offering Circular. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Certain data are also based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on market data currently available to us. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this Offering Circular. Similarly, we believe our internal research is reliable, even though such research has not been verified by any independent sources.

TRADEMARKS AND COPYRIGHTS

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and the formulations for such products. This Offering Circular may also contain trademarks, service marks and trade names of other companies, which are the property of their respective owners. Our use or display of third parties' trademarks, service marks, trade names or products in this Offering Circular is not intended to, and should not be read to, imply a relationship with or endorsement or sponsorship of us. Solely for convenience, some of the copyrights, trade names and trademarks referred to in this Offering Circular are listed without their ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trade names and trademarks. All other trademarks are the property of their respective owners.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "outlook," "seek," "anticipate," "estimate," "approximately," "believe," "could," "pr" other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth or anticipated in our forward-looking statements. Factors that could have a material adverse effect on our forward-looking statements and upon our business, results of operations, financial condition, funds derived from operations, cash available for dividends, cash flows, liquidity and prospects include, but are not limited to, the factors referenced in this Offering Circular, including those set forth below.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Offering Circular. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this Offering Circular. The matters summarized below and elsewhere in this Offering Circular could cause our actual results and performance to differ materially from those set forth or anticipated in forward-looking statements. Accordingly, we cannot guarantee future results or performance. Furthermore, except as required by law, we are under no duty to, and we do not intend to, update any of our forward-looking statements after the date of this Offering Circular, whether as a result of new information, future events or otherwise.

OFFERING CIRCULAR SUMMARY

*This summary of the Offering Circular highlights material information concerning our business and this offering. This summary does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire Offering Circular, including the information presented under the section entitled “**Risk Factors**”. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from future results contemplated in the forward-looking statements as a result of factors such as those set forth in “**Risk Factors**” and “**Cautionary Statement Regarding Forward-Looking Statements.**”*

In this Offering Circular, unless the context indicates otherwise, “VirTra,” the “Company,” “we,” “our,” “ours” or “us” refer to VirTra, Inc., a Nevada corporation.

Our Corporate History

VirTra, Inc. is a corporation organized and existing under the laws of the State of Nevada. 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.

Effective as of October 1, 2016 (the “Effective Date”), we completed a conversion from a Texas corporation to a Nevada corporation pursuant to a Redomestication Plan of Conversion (the “Plan of Conversion”) that was approved by our Board of Directors on June 23, 2016 and our shareholders on September 16, 2016. On the Effective Date, 15,855,005 shares of common stock of VirTra Systems, Inc., a Texas corporation, were converted into 15,855,005 shares of Common Stock of VirTra, Inc., a Nevada corporation. No shareholders exercised appraisal rights or dissenters’ rights for such shares in accordance with the Texas Business Organization Code.

As part of the Plan of Conversion, we filed Articles of Incorporation in Nevada whereby we changed our name from VirTra Systems, Inc. to VirTra, Inc. and revised our capitalization. Our Articles of Incorporation filed in Nevada authorize us to issue 125,000,000 shares, of which (1) 120,000,000 shares shall be Common Stock, par value \$0.0001 per share (the “Common Stock”), of which (a) 100,000,000 shares shall be Common Stock, par value \$0.0001, (b) 5,000,000 shares shall be Class A Common Stock, par value \$0.0001 per share (the “Class A Common Stock”), and (c) 15,000,000 shares shall be Class B Common Stock, par value \$0.0001 per share (the “Class B Common Stock”) and (2) 5,000,000 shares shall be Preferred Stock, par value \$0.0001 per share, which may, at the sole discretion of the Board of Directors be issued in one or more series (the “Preferred Stock”). We also adopted new bylaws as part of the Plan of Conversion.

Effective October 20, 2016, we effected a 1 for 10 reverse stock split of our issued and outstanding Common Stock (the “Reverse Stock Split”). All references to shares of our common stock in Offering Circular refer to the number of shares of common stock after giving effect to the Reverse Stock Split (unless otherwise indicated).

Business Overview

We develop, sell and support use of force training and marksmanship firearms training systems and accessories for law enforcement, military and civilian use. Our simulators use software, hardware and content to create uniquely

effective and realistic training that does not require live ammunition or less-than-lethal munitions, which can both save money and provide certain training capabilities unavailable to live fire exercises. We have developed a higher standard in simulation training including capabilities such as: multi-screen video based scenarios, unique scenario authoring ability, superior training scenarios, the patented Threat-Fire™ shoot-back system, powerful gas-powered simulated recoil weapons, and more.

Also, we are engaged in licensing our technology to Modern Round Entertainment Corporation (“MREC”), a developer and operator of a combined dining and entertainment concept centered on an indoor shooting experience.

Business Strategy

We have four main customer groups, namely, law enforcement, military, educational (includes colleges and police academies), and civilian. These are very different markets and require different sales and marketing programs as well as personnel. Our focus is to expand the market share and scope of our training simulators sales to these identified customer groups by pursuing the following key growth strategies:

Build Our Core Business. Our goal is to profitably grow our market share by continuing to develop, produce and market the most effective simulators possible. Through disciplined growth in our business, we have achieved a solid balance sheet by increasing our working capital and no bank debt. We plan to add staff to our experienced management team, as needed, to meet the expected increase in demand for our products and services as we increase our marketing and sales activities.

Increase Total Addressable Market. We plan to increase the size of our total addressable market. This effort will focus on new marketing and new product and/or service offerings for the purpose of widening the number of types of customers who might consider our products or services uniquely compelling.

Broaden Product Offerings. Since formation in 1993, our company has had a proud tradition of innovation in the field of simulation and virtual reality. We plan to release revolutionary new products and services as well as continue incremental improvements to existing product lines. In some cases, the company may enter a new market segment via the introduction of a new type of product or service.

Partners and Acquisitions. We try to spend our time and funds wisely and not tackle tasks that can be done more efficiently with partners. For example, international distribution is often best accomplished through a local distributor or agent. We are also open to the potential of acquiring additional businesses or of being acquired ourselves, based on what is expected to be optimal for our long-term future and our shareholders.

Simulator Product Offerings

Our simulator products include the following:

V-300™ Simulator – a 300° wrap-around screen with video capability is the higher standard for simulation training

V-180™ Simulator – a 180° screen with video capability is for smaller spaces or smaller budgets

V-100™ Simulator – a single-screen based simulator system

The V-100™ MIL is sold to various military commands throughout the world and can support any local language. The system is extremely compact and can even share space with a standard classroom or squeeze into almost any existing facility. If a portable firearms simulator is needed, this model offers the most compact single-screen simulator on the market today – everything organized into one standard case.

V-ST™ Simulator – a highly-realistic single screen simulated shooting range simulator with the ability to scale to multiple screens

Top Subject Matter Expert Content – content supplied with our simulators is approved by top training experts

V-Author™ Software – allows users to create, edit, and train with content specific to agency's objectives

Simulated Recoil – a wide range of highly realistic and reliable simulated recoil kits/weapons

Return Fire Device – the patented Threat-Fire™ device which applies real-world stress on the trainees during simulation training

Our Board of Directors

We operate under the direction of our board of directors, Robert D. Ferris, Matthew Burlend, Jeffrey Brown, Mitchell A. Saltz, and Jim Richardson who are accountable to us and our stockholders as fiduciaries. Our board of directors has ultimate responsibility for our operations, corporate governance, compliance and disclosure. The number of directors are fixed by our board of directors, subject to our articles of incorporation and our bylaws.

Board Leadership Structure and Board's Role in Risk Oversight

Our board of directors has a Chairman, Mr. Ferris. The Chairman has authority, among other things, to preside over board of director's meetings and set the agenda for board of director's meetings. We currently have three independent board members, Messrs. Brown, Saltz and Richardson.

Board Committees

Our board of directors has established three standing committees —audit, compensation and nominating and corporate governance —each of which operate under a charter that has been approved by our board of directors. Messrs. Brown, Saltz and Richardson serve as independent members on each of our audit committee, compensation committee and governance committee in compliance with the corporate governance requirements of the NASDAQ Listing Rules.

Risks Affecting Us

An investment in the Offered Shares involves a high degree of risk. You should carefully consider the risks summarized below. These risks are discussed more fully in the “Risk Factors” section immediately following this Offering Circular Summary. These risks include, but are not limited to, the following:

our dependence on government contracts for substantially all of our revenues;

intense competition;

our inability to anticipate customer preferences or to effectively identify, market and sell future products;

assertions by third parties of infringement or other violation by us of their intellectual property rights.

our dependence on our executive officers;

our inability to implement and maintain effective internal control over financial reporting;

costs incurred and substantial management time devoted as a result of operating as a public company; and

volatility of the price of our Common Stock.

Emerging Growth Company and Smaller Reporting Company Status

Emerging Growth Company. We are an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act of 1933, as amended (the “**Securities Act**”), as modified by the Jumpstart Our Business Startups Act of 2012 (the “**JOBS Act**”). As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”), reduced disclosure obligations regarding executive compensation in our periodic reports

and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We intend to take advantage of all of these exemptions.

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, and delay compliance with new or revised accounting standards until those standards are applicable to private companies. We have elected to take advantage of the benefits of this extended transition period.

We could be an emerging growth company until the last day of the first fiscal year following the fifth anniversary of our first common equity offering, although circumstances could cause us to lose that status earlier if our annual revenues exceed \$1.0 billion, if we issue more than \$1.0 billion in non-convertible debt in any three-year period, or if we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act.

Smaller Reporting Company. We also qualify as a “smaller reporting company” under Rule 12b-2 of the Exchange Act, which is defined as a company with a public equity float of less than \$75 million. To the extent that we remain a smaller reporting company at such time as we are no longer an emerging growth company, we will still have reduced disclosure requirements for our public filings some of which are similar to those of an emerging growth company, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

Company Information

Our principal office is located at 7970 S. Kyrene Road, Tempe Arizona 85284 and our phone number is (480) 968-1488. Our corporate website address is www.virtra.com. Information contained on, or accessible through, our website is not a part of, and is not incorporated by reference into, this Offering Circular.

THE OFFERING

Issuer	VirTra, Inc.
Securities Offered	A minimum of 1,428,571 and a maximum of 2,857,142 shares of our Common Stock, par value \$0.0001 (“Common Stock”) at an offering price of \$3.50 per share (the “Offered Shares”).
Offering Price	\$3.50 per Share.
Number of Shares Outstanding Before the Offering	There are outstanding as of the date hereof the following shares of our capital stock: 15,855,178 shares of Common Stock ⁽¹⁾ and no shares of Class A Common Stock, Class B Common Stock, or Preferred Stock outstanding.
Number of Shares Outstanding After the Offering	17,283,749 shares, if the minimum amount of Offered Shares are sold, and 18,712,320 shares, if the maximum amount of Offered Shares are sold.
Minimum offering amount:	1,428,571 shares at \$3.50 per share, or \$5,000,000
Maximum offering amount:	2,857,142 shares at \$3.50 per share, or \$10,000,000
Minimum Investment Amount	The minimum subscription amount per investor is \$1,000, and subscriptions, once received, are irrevocable.
Proposed NASDAQ listing:	We intend to apply to list our Common Stock on the NASDAQ Capital Market (“NASDAQ”) under the symbol “VTSI.” Our Common Stock will not commence trading on NASDAQ until all of the following conditions are met: (i) the Initial Closing has occurred and we have raised the minimum

amount of offering proceeds necessary for us to meet the initial listing requirements of NASDAQ, among other considerations; (ii) the offering is terminated; and (iii) we have filed a post-qualification amendment to the Offering Circular and a registration statement on Form 8-A (“Form 8-A”) under the Securities Exchange Act of 1934 (the “Exchange Act”), and such post-qualification amendment is qualified by the SEC and the Form 8-A has become effective. Pursuant to applicable rules under Regulation A, the Form 8-A will not become effective until the SEC qualifies the post-qualification amendment. We intend to file the post-qualification amendment and request its qualification immediately prior to the termination of the offering in order that the Form 8-A may become effective as soon as practicable. Even if we meet the minimum requirements for listing on NASDAQ, we may wait before terminating the offering and commencing the trading of our Common Stock on NASDAQ in order to raise additional proceeds. As a result, you may experience a delay between the closing of your purchase of our shares of Common Stock and the commencement of exchange trading of our Common Stock.

**Investment
Amount
Restrictions**

Generally, no sale may be made to you in this Offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and non-natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(c) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

We have engaged Boustead Securities, LLC, as the Underwriter to offer the Offered Shares to prospective investors in the United States, on a best efforts basis, and our Underwriter will have the right to engage such other broker-dealers or agents as it determines to assist in such offering.

U.S. offering:

A maximum of \$10,000,000 of Offered Shares will be offered worldwide. All Offered Shares will be initially offered everywhere in the world at the same U.S. dollar price that is set forth in this Offering Circular; after the initial offering of the Offered Shares, the offering price and other selling terms may be subject to change.

Risk factors

Investing in our Common Stock involves risks. See the section entitled “**Risk Factors**” in this Offering Circular and other information included in this Offering Circular for a discussion of factors you should carefully consider before deciding to invest in our Common Stock.

**Use of
proceeds**

If we sell all of the Offered Shares, we estimate that our net proceeds (after underwriting discount and commissions and our estimated other offering expenses) will be approximately \$8,930,500. We anticipate that the net proceeds of the Offering will be used for the following purposes in the following order: (a) first towards the fees and expenses (legal, auditing, accounting, transfer agent and financial printer) associated with qualification of Offering under Regulation A; and (b) second towards the implementation of our business plan, including but not limited to, (i) research and development, (ii) expansion of our product line, and (iii) sales and marketing activities; and (c) the balance of capital raised for general corporate purposes, including working capital, sales and marketing activities and general and administrative purposes. See the section titled “Use of Proceeds” for additional information.

(1) The number of shares of our Common Stock to be outstanding after this offering is based on 15,855,178 shares of our Common Stock outstanding as of December 21, 2017 and excludes:

1,063,333 shares of Common Stock issuable upon the exercise of options outstanding as of December 21, 2017, at a weighted average exercise price of \$0.90 per share.

SUMMARY HISTORICAL FINANCIAL DATA

The following table summarizes our financial data for the periods and the dates indicated. The statement of operations data for the years ended December 31, 2016 and 2015 and the balance sheet data as of December 31, 2016 and 2015

have been derived from our audited financial statements, included elsewhere in this Offering Circular. The statement of operations data for the six months ended June 30, 2017 and 2016 and the balance sheet data as of June 30, 2017 have been derived from our unaudited financial statements, included elsewhere in this Offering Circular.

Our historical results are included for illustrative and informational purposes only and are not necessarily indicative of results we expect in future periods. You should read the following summary financial data in conjunction with **“Management’s Discussion and Analysis of Financial Condition and Results of Operations”** and our financial statements and related notes appearing elsewhere in this Offering Circular.

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2015	2017	2016
Statement of Operations Data				
Total revenues	\$15,652,168	\$13,342,336	\$9,460,852	\$9,618,176
Cost of sales	5,970,058	5,652,125	3,280,412	3,511,725
Gross profit	9,682,110	7,690,211	6,180,440	6,106,451
Net operating expenses	7,555,784	6,199,628	4,086,166	3,662,900
Income from operations	2,126,326	1,490,583	2,094,274	2,443,551
Net other income	26,448	135,962	33,705	(7,136)
Income before income taxes	2,152,774	1,626,545	2,127,979	2,436,415
Provision for income taxes	(102,752)	(89,562)	78,000	65,203
Net Income	\$2,050,022	\$1,536,983	\$2,049,979	\$2,371,212
Earnings per common share				
Basic	\$0.13	\$0.10	\$0.13	0.15
Diluted	\$0.12	\$0.09	\$0.12	0.14
Balance Sheet Data (at period end)				
Cash and cash equivalents	\$3,703,579	\$3,317,020	\$4,283,216	
Working capital (1)	\$5,268,654	\$3,878,996	\$7,433,993	
Total assets	\$9,911,989	\$7,270,007	\$14,749,739	
Total liabilities	\$3,501,710	\$2,898,368	\$4,704,060	
Total stockholders' equity	\$6,410,279	\$4,371,639	\$10,045,679	

(1) Working capital represents total current assets less total current liabilities.

RISK FACTORS

The purchase of the securities offered hereby involves a high degree of risk. Each prospective investor should consult his, her or its own counsel, accountant and other advisors as to legal, tax, business, financial, and related aspects of an investment in the securities offered hereby. Prospective investors should carefully consider the following specific risk factors, in addition to the other information set forth in this Offering Circular, before purchasing the securities offered hereby.

RISKS RELATED TO OUR BUSINESS

We depend on government contracts for substantially all of our revenues and the loss of government contracts or a delay or decline in funding of existing or future government contracts could decrease our backlog or adversely affect our sales and cash flows and our ability to fund our growth.

Our revenues from contracts, directly or indirectly, with foreign and U.S. state, regional and local governmental agencies represented substantially all of our total revenues in fiscal year 2016. Although these various government agencies are subject to common budgetary pressures and other factors, many of our various government customers exercise independent purchasing decisions. As a result of the concentration of business with governmental agencies, we are vulnerable to adverse changes in our revenues, income and cash flows if a significant number of our government contracts, subcontracts or prospects are delayed or canceled for budgetary or other reasons.

The factors that could cause us to lose these contracts and could decrease our backlog or otherwise materially harm our business, prospects, financial condition or results of operations include:

budget constraints affecting government spending generally, or specific departments or agencies such as U.S. or foreign defense and transit agencies and regional transit agencies, and changes in fiscal policies or a reduction of available funding;

re-allocation of government resources as the result of actual or threatened terrorism or hostile activities or for other reasons;

disruptions in our customers' ability to access funding from capital markets;

curtailment of governments' use of outsourced service providers and governments' in-sourcing of certain services;

the adoption of new laws or regulations pertaining to government procurement;

government appropriations delays or blanket reductions in departmental budgets;

suspension or prohibition from contracting with the government or any significant agency with which we conduct business;

increased use of shorter duration awards, which increases the frequency we may need to re compete for work;

impairment of our reputation or relationships with any significant government agency with which we conduct business;

decreased use of small business set asides or changes to the definition of small business by government agencies;

increased use of lowest-priced, technically acceptable contract award criteria by government agencies;

increased aggressiveness by the government in seeking rights in technical data, computer software, and computer software documentation that we deliver under a contract, which may result in "leveling the playing field" for competitors on follow-on procurements;

impairment of our ability to provide third-party guarantees and letters of credit; and

delays in the payment of our invoices by government payment offices.

Government spending priorities and terms may change in a manner adverse to our businesses.

A significant percentage of our revenue comes from domestic and foreign police forces. If these government entities have to cut their budgets, it is possible that we will lose this source of revenue, which could materially adversely affect our business, prospects, financial condition or results of operations. We are working at diversifying our business so that we are not as dependent, but there is no assurance that we will be successful at doing so.

Intense competition could negatively impact our sales and operating results.

Our products are sold in highly competitive markets with limited barriers to entry. We compete against a number of established companies that provide similar products and services, some of which have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours. There are also companies whose products do not compete directly, but are sometimes closely related to the products we offer. Meggitt Training Systems, Arotech, Inc., Ti Training Corp., Cubic, Inc. and Laser Shot, Inc. are our main competitors in some or all of our markets.

We believe that our products and services are superior to those offered by our competitors based on our strength in developing higher quality software solutions and our extensive library of training scenario content that would require a substantial investment by a competitor to offer a comparable product. The introduction by competitors of lower-priced or more innovative products could, however, result in a significant decline in our revenues and have a material adverse effect on our operating results, financial position and cash flows.

If we are unable to anticipate customer preferences or to effectively identify, market and sell future products, our future revenues and operating results could be adversely affected.

Our future success depends on our ability to effectively identify, market and sell new products that respond to new and evolving customer preferences. Accordingly, our revenues and operating results may be adversely affected if we are unable to identify or acquire rights to new products that satisfy customer preferences. In addition, any new products that we market may not generate sufficient revenues to recoup their identification, development, acquisition, marketing, selling and other costs.

Decline in state and local government spending would likely negatively affect our product revenues and earnings.

Success of each of the products we plan to sell depends substantially on the amount of funds budgeted by state and local government agencies that make up our current and potential customers. Global credit and financial markets have experienced extreme disruptions in the recent past, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. There can be no assurance that similar disruptions will not occur in the future. Deterioration in general economic conditions may result in lower tax revenues that could lead to reductions in government spending, especially spending for discretionary simulation training products such as ours. Poor economic conditions could in turn lead to substantial decreases in our net sales or have a material adverse effect on our operating results, financial position and cash flows.

We may not be able to receive or retain the necessary licenses or authorizations required for us to export or re-export our products, technical data or services, or to transfer technology from foreign sources and to work collaboratively with them. Denials of such licenses and authorizations could have a material adverse effect on our business and results of operations.

U.S. regulations concerning export controls require us to screen potential customers, destinations, and technology to ensure that sensitive equipment, technology and services are not exported in violation of U.S. policy or diverted to improper uses or users. In order for us to export certain products, technical data or services, we are required to obtain licenses from the U.S. government, often on a transaction-by-transaction basis. These licenses are generally required for the export of the military versions of our products and technical data and for defense services. We cannot be sure of our ability to obtain the U.S. government licenses or other approvals required to export our products, technical data and services for sales to foreign governments, foreign commercial customers or foreign destinations.

In addition, in order for us to obtain certain technical know-how from foreign vendors and to collaborate on improvements on such technology with foreign vendors, we may need to obtain U.S. government approval for such collaboration through manufacturing license or technical assistance agreements approved by U.S. government export control agencies. The U.S. government has the right, without notice, to revoke or suspend export licenses and authorizations for reasons of foreign policy, issues over which we have no control. Failure to receive required licenses or authorizations would hinder our ability to export our products, data and services and to use some advanced technology from foreign sources. This could have a material adverse effect on our business, results of operations and financial condition.

Our failure to comply with export control rules could have a material adverse effect on our business.

Our failure to comply with the export control rules described above could expose us to significant criminal or civil enforcement action by the U.S. government, and a conviction could result in denial of export privileges, as well as contractual suspension or debarment under U.S. government contracts, either of which could have a material adverse effect on our business, results of operations and financial condition.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the foreign countries where we sell our products and services. We can make no assurance, however, that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

We may face competition from providers of comparable products. Increased competition in those product categories could negatively affect our future revenues and operating results.

Since we will not be the only seller and since we have a limited number of patents, the introduction of comparable products designed to compete with our products may increase in the future. With so much focus on homeland security and terrorism, it is possible that more companies will enter our business and sell new and/or innovative training tools. One area of particular concern is new virtual reality (VR) hardware and software. If other companies are able to create new training tools that are more realistic or effective, we may not be able to compete effectively. Introduction by competitors of comparable products, a maturing product lifecycle or other factors could result in a decline in our revenues derived from these products. A significant decline in our sales of these products, without offsetting sales gains, would have a material adverse effect on our operating results, financial position and cash flows.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our revenues and gross profit.

The markets for law enforcement, military, educational and commercial simulation training are highly competitive and include many new competitors as well as increased competition from established companies expanding their production and marketing of performance products. Despite owning patents, trademarks and copyrights, our current and future competitors could manufacture and sell products with performance characteristics and functionality similar to the products we sell and that we plan to sell. Some of our competitors are large companies with strong worldwide brand recognition, such as Cubic and Meggitt that have significantly greater financial, distribution, marketing and other resources than we do. Some of our competitors have significant competitive advantages, including longer operating histories, larger sales forces, bigger advertising budgets, better brand recognition, greater economies of scale and long-term relationships with key military customers that are potentially highly valuable because of the significant volume that our competitors sell to them.

As a result, these competitors may be better equipped than we are to influence customer preferences or otherwise increase their market share by:

quickly adapting to changes in customer requirements;

readily taking advantage of acquisition and other opportunities;

discounting excess inventory that has been written down or written off;

devoting resources to the marketing and sale of their products, including significant advertising, media placement and product endorsement;

adopting aggressive pricing policies; and

engaging in lengthy and costly intellectual property and other disputes.

Some of the components of our products pose potential safety risks which could create potential liability exposure for us.

Some of the components of our products contain elements that may pose potential safety risks. In addition to these risks, there can be no assurance that accidents in the facilities that use our products will not occur. Any accident, whether occasioned by the use of all or any part of our products or technology or by our customers' operations, could adversely affect commercial acceptance of our products and could result in claims for damages resulting from injuries or death. Any of these occurrences would materially adversely affect our operations and financial condition. In the event that our products fail to perform as specified, users of these products may assert claims for substantial amounts. These claims could have a materially adverse effect on our financial condition and results of operations. There is no assurance that the amount of the general product liability insurance that we maintain will be sufficient to cover potential claims or that the present amount of insurance can be maintained at the present level of cost, or at all.

Assertions by third parties of infringement or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

Companies engaged in the sales of products are frequently subject to litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. Some companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us. Third parties may in the future assert that we have infringed, misappropriated or otherwise violated their intellectual property rights. Existing laws and regulations are evolving and subject to different interpretations, and various federal and state legislative or regulatory bodies may expand current or enact new laws or regulations. We cannot guarantee you that we are not infringing or violating any third-party intellectual property rights.

We cannot predict whether assertions of third-party intellectual property rights or any infringement or misappropriation claims arising from such assertions will substantially harm our business and operating results. If we are forced to defend against any infringement or misappropriation claims, we may be required to expend significant time and financial resources on the defense of such claims, even if without merit, settled out of court, or determined in our favor. Furthermore, an adverse outcome of a dispute may require us to: pay damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property; cease making, licensing or using products or services that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our products; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or materials; or to indemnify our partners and other third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. In addition, we do not carry broadly applicable patent liability insurance and any lawsuits regarding patent rights, regardless of their success, could be expensive to resolve and would divert the time and attention of our management and technical personnel.

Our business is dependent on proprietary rights that may be difficult to protect and could affect our ability to compete effectively.

Our ability to compete effectively will depend on our ability to maintain the proprietary nature of our technology and content through a combination of patent, trademark, copyright and trade secret protection, non-disclosure agreements and licensing arrangements.

Litigation, or participation in administrative proceedings, may be necessary to protect our proprietary rights. This type of litigation can be costly and time consuming and could divert company resources and management attention to defend our rights, and this could harm us even if we were to be successful in the litigation and there is no guarantee we would be successful in such litigation. In the absence of patent protection, and despite our reliance upon our proprietary confidential information, our competitors may be able to use innovations similar to those used by us to design and manufacture products directly competitive with our products. In addition, no assurance can be given that others will not obtain patents that we will need to license or design around. To the extent any of our products are covered by third-party patents, we could need to acquire a license under such patents to develop and market our products.

Despite our efforts to safeguard and maintain our proprietary rights, we may not be successful in doing so. In addition, competition is intense, and there can be no assurance that our competitors will not independently develop or patent technologies that are substantially equivalent or superior to our technology. In the event of patent litigation, we cannot assure you that a court would determine that we were the first creator of inventions covered by our issued patents or pending patent applications or that we were the first to file patent applications for those inventions. If existing or future third-party patents containing broad claims were upheld by the courts or if we were found to infringe third-party patents, we may not be able to obtain the required licenses from the holders of such patents on acceptable terms, if at all. Failure to obtain these licenses could cause delays in the introduction of our products or necessitate costly attempts to design around such patents, or could foreclose the development, manufacture or sale of our

products. We could also incur substantial costs in defending ourselves in patent infringement suits brought by others and in prosecuting patent infringement suits against infringers.

We also rely on trade secrets and proprietary know-how that we seek to protect, in part, through non-disclosure and confidentiality agreements with our customers, employees, consultants, and entities with which we maintain strategic relationships. We cannot assure you that these agreements will not be breached, that we would have adequate remedies for any breach or that our trade secrets will not otherwise become known or be independently developed by competitors.

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We depend on our executive officers, the loss of whom could materially harm our business.

We rely upon the accumulated knowledge, skills and experience of our executive officers and significant employees. Our Chief Executive Officer, Robert Ferris, built our business from inception and, along with other members of the management team, are responsible for many of the products and clients that we have today. If they were to leave us or become incapacitated, we might suffer in our planning and execution of business strategy and operations, impacting our financial results. We also do not maintain any key man life insurance policies for any of our employees.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Common Stock may decline.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Further, we will be required to report any changes in internal controls on a quarterly basis. In addition, we will be required to furnish a report by management on the effectiveness of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We will design, implement, and test the internal controls over financial reporting required to comply with these obligations. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is ineffective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of the Common Stock could be negatively affected. We also could become subject to investigations by the stock exchange on which the securities are listed, the Commission, or other regulatory authorities, which could require additional financial and management resources.

As an “emerging growth company” under the JOBS Act, we are permitted to rely on exemptions from certain disclosure requirements.

We qualify as an “emerging growth company” under the JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;

comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit

and the financial statements (i.e., an auditor discussion and analysis);

submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay” and “say-on-frequency”; and

disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation.

In addition, Section 102 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

Until such time, however, we cannot predict if investors will find our Common Stock less attractive because we may rely on these exemptions. If some investors find our Common Stock less attractive as a result, there may be a less active trading market for our Common Stock and the price of our securities may be more volatile.

As an emerging growth company, our auditor is not required to attest to the effectiveness of our internal controls.

Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting while we are an emerging growth company or a smaller reporting company as defined under rules promulgated by the SEC. This means that the effectiveness of our financial operations may differ from our peer companies in that they may be required to obtain independent registered public accounting firm attestations as to the effectiveness of their internal controls over financial reporting and we are not. While our management will be required to attest to internal control over financial reporting and we will be required to detail changes to our internal controls on a quarterly basis, we cannot provide assurance that the independent registered public accounting firm's review process in assessing the effectiveness of our internal controls over financial reporting, if obtained, would not find one or more material weaknesses or significant deficiencies. Further, once we cease to be an emerging growth company and no longer qualify as a smaller reporting company, we will be subject to independent registered public accounting firm attestation regarding the effectiveness of our internal controls over financial reporting. Even if management finds such controls to be effective, our independent registered public accounting firm may decline to attest to the effectiveness of such internal controls and issue a qualified report.

If we become a public company (reporting under the Exchange Act), we will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

If we become a company with an obligation to file reports with the SEC under Exchange Act after we register our common stock under the Exchange Act upon the qualification of this offering, we will incur significant legal, accounting and other expenses that we did not incur as a private company whose shares were quoted on the OTC Markets. In addition, the Sarbanes-Oxley Act imposes various requirements on public companies including requiring establishment and maintenance of effective disclosure and financial controls. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain directors' and officers' liability insurance, which could make it more difficult for us to attract and retain qualified members of our board of directors. We cannot predict or estimate the amount of additional costs we will incur to meet our additional disclosure obligations under the Exchange Act or the timing of such costs.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. In addition, we will be required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting the later of our second annual report on Form 10-K or the first annual report on Form 10-K following the date on which we are no longer an emerging growth company and no longer qualify as a smaller reporting company. Our compliance with Section 404 of the Sarbanes-Oxley Act will require that we incur substantial accounting expense and expend significant management efforts including hiring additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Our ability to successfully implement our business plan and comply with Section 404 requires us to be able to prepare timely and accurate financial statements. We expect that we will need to continue to improve existing, and implement new operational and financial systems, procedures and controls to manage our business effectively. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer and we may be unable to conclude that our internal control over financial reporting is effective and to obtain an unqualified report on internal controls from our auditors as required under Section 404 of the Sarbanes-Oxley Act. This, in turn, could have an adverse impact on trading prices for our Common Stock, and could adversely affect our ability to access the capital markets.

If we do not become a public company, compliance with Regulation A and reporting to the SEC could be costly, and our management will be required to devote substantial time to the compliance requirements of Regulation A.

If we do not become a public company, compliance with Regulation A could be costly and requires legal and accounting expertise. Because the new rules implementing Title IV of the Jumpstart Our Business Startups Act of 2012 took effect in June 2015, we have no experience complying with the new provisions of Regulation A or making the public filings required by the rule. Besides qualifying this Form 1-A, we must file an annual report on Form 1-K, a semiannual report on Form 1-SA, and current reports on Form 1-U.

Our legal and financial staff may need to be increased in order to comply with Regulation A. Compliance with Regulation A will also require greater expenditures on outside counsel, outside auditors, and financial printers in order to remain in compliance. Failure to remain in compliance with Regulation A may subject us to sanctions, penalties, and reputational damage and would adversely affect our results of operations.

Risks Relating to Our Stock and this Offering

We may not satisfy NASDAQ's initial listing standards and, even if we do, we may experience a delay in the initial trading of our Common Stock on NASDAQ.

We intend to apply to list our Common Stock on the NASDAQ Capital Market ("NASDAQ") under the symbol "VTSL." Our Common Stock will not commence trading on NASDAQ until a number of conditions are met, including that we have raised the minimum amount of offering proceeds necessary for us to meet the initial listing requirements of NASDAQ. There is no guarantee that we will be able to sell a sufficient number of shares to raise the required minimum amount of offering proceeds. Assuming we sell a sufficient number of shares to list on NASDAQ, we expect trading to commence following the Termination Date of this offering. However, we may wait before terminating the offering and commencing the trading of our Common Stock on NASDAQ in order to raise additional proceeds. In addition, in order to list, we will be required to, among other things, file with the SEC a post-qualification amendment to the Offering Statement, and then file an SEC Form 8-A in order to register our shares under the Exchange Act. The post-qualification amendment of the Offering Statement is subject to review by the SEC, and there is no guarantee that such amendment will be qualified quickly after filing. Any delay in the qualification of the post-qualification amendment may cause a delay in the initial trading of our Common Stock on NASDAQ. For all of the foregoing reasons, you may experience a delay between the closing of your purchase of our Common Stock and the commencement of exchange trading of our Common Stock.

Investors may have to wait up to ninety (90) days from the date of their investment before obtaining the shares of Common Stock purchased in this offering.

If and when we consummate an Initial Closing, the offering will continue until a date which is the earliest of: (i) ninety (90) days after the Initial Closing; or (ii) with the mutual agreement of us and our Underwriters, a date which is less than ninety (90) days after the Initial Closing in order to coordinate with the commencement of exchange trading of our Common Stock; or (iii) the date on which the maximum offering amount is sold. Additionally, in its discretion, the Company may elect to not hold another closing following the Initial Closing. Accordingly, any investors that invest in this offering after the Initial Closing may not receive shares of Common Stock until ninety (90) days after such investment is made, or not at all if there are no closings after the Initial Closing (in which case outstanding investment amounts will be returned, without deduction and generally without interest). During this period you will not have access to your investment, nor will you have shares of Common Stock.

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NASDAQ may delist our Common Stock from trading on its exchange, which could limit stockholders' ability to trade our Common Stock.

In the event we are able to list our Common Stock on the NASDAQ Capital Market, NASDAQ will require us to meet certain financial, public float, bid price and liquidity standards on an ongoing basis in order to continue the listing of our Common Stock. If we fail to meet these continued listing requirements, our Common Stock may be subject to delisting. If our Common Stock is delisted and we are not able to list our Common Stock on another national securities exchange, we expect our securities would be quoted on an over-the-counter market. If this were to occur, our stockholders could face significant material adverse consequences, including limited availability of market quotations for our Common Stock and reduced liquidity for the trading of our securities. In addition, we could experience a decreased ability to issue additional securities and obtain additional financing in the future.

Our Common Stock price is likely to be highly volatile because of several factors, including a limited public float.

The market price of our Common Stock has been volatile in the past and the market price of our Common Stock could be volatile in the future. You may not be able to resell shares of our Common Stock following periods of volatility because of the market's adverse reaction to volatility.

Other factors that could cause such volatility may include, among other things:

actual or anticipated fluctuations in our operating results, including the loss of a large or key customer or vendor;

the absence of securities analysts covering us and distributing research and recommendations about us;

we may have a low trading volume for a number of reasons, including that a large portion of our stock is closely held;

overall stock market fluctuations;

announcements concerning our business or those of our competitors;

actual or perceived limitations on our ability to raise capital when we require it, and to raise such capital on favorable terms;

conditions or trends in the industry;

litigation;

changes in market valuations of other similar companies;
future sales of Common Stock;
departure of key personnel or failure to hire key personnel; and
general market conditions.

Any of these factors could have a significant and adverse impact on the market price of our Common Stock. In addition, the stock market in general has at times experienced extreme volatility and rapid decline that has often been unrelated or disproportionate to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Common Stock, regardless of our actual operating performance.

This is a fixed price offering and the fixed offering price may not accurately represent the current value of us or our assets at any particular time. Therefore, the purchase price you pay for the Offered Shares may not be supported by the value of our assets at the time of your purchase or in the future.

This is a fixed price offering, which means that the offering price for our Shares is fixed and will not vary based on the underlying value of our assets at any time. Our board of directors has determined the offering price in our sole discretion. The fixed offering price for the Offered Shares has not been based on appraisals of any assets we own or may own, or of our Company as a whole, nor do we intend to obtain such appraisals. Therefore, the fixed offering price established for the Offered Shares may not be supported by the current value of our Company or our assets at any particular time.

Because our officers and board of directors will make all management decisions, you should only purchase our securities if you are comfortable entrusting our directors to make all decisions.

Our board of directors will have the sole right to make all decisions with respect to our management. Investors will not have an opportunity to evaluate the specific projects that will be financed with future operating income. You should not purchase our securities unless you are willing to entrust all aspects of our management to our officers and directors.

We may need to raise additional capital. If we are unable to raise necessary additional capital, our business may fail or our operating results and our stock price may be materially adversely affected.

As an emerging growth company, we will need to secure adequate funding for opportunities we may encounter. Such opportunities may include acquiring complementary businesses, securing new marketing and sales opportunities, giving bonuses to employees to reward them for past service and incentivize them for future successes. Selling additional stock, either privately or publicly, would dilute the equity interests of our stockholders. If we borrow more money, we will have to pay interest and may also have to agree to restrictions that limit our operating flexibility. If we are unable to obtain adequate financing, we may have to curtail our operations and our business could fail.

Our issuance of additional Common Stock in exchange for services or to repay debt would dilute your proportionate ownership and voting rights and could have a negative impact on the market price of our Common Stock.

We may generally issue shares of Common Stock and Common Stock issuable upon exercise of stock options and warrants to pay for debt or services, without further approval by our stockholders based upon such factors as our board of directors may deem relevant at that time. It is possible that we will issue additional shares of Common Stock under circumstances we may deem appropriate at the time.

Our management team will have immediate and broad discretion over the use of the net proceeds from our offering and we may use the net proceeds in ways with which you disagree.

The net proceeds from our offering will be immediately available to our management to use at their discretion. We anticipate that the net proceeds of the Offering will be used for the following purposes in the following order: (a) first towards the fees and expenses (legal, auditing, accounting, transfer agent and financial printer) associated with qualification of Offering under Regulation A; and (b) second towards the implementation of our business plan,

including but not limited to, (i) research and development, (ii) expansion of our product line, and (iii) sales and marketing activities; and (c) the balance of capital raised for general corporate purposes, including working capital, sales and marketing activities and general and administrative purposes. See “Use of Proceeds.” You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for us or our stockholders. The failure of our management to use such funds effectively could have a material adverse effect on our business, prospects, financial condition, and results of operation.

Shares eligible for future sale may adversely affect the market.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of Common Stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, non-affiliate stockholders may sell freely after six months, subject only to the current public information requirement. Affiliates may sell after six months, subject to the Rule 144 volume, manner of sale (for equity securities), current public information, and notice requirements. Of the approximately 15,855,178 shares of our Common Stock outstanding as of December 21, 2017, approximately 15,132,143 shares are tradable without restriction. In addition, all of the shares of Common Stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act. Given the limited trading of our Common Stock, resale of even a small number of shares of our Common Stock pursuant to Rule 144 or an effective registration statement may adversely affect the market price of our Common Stock.

Our equity incentive plan allows us to issue stock options and award shares of our Common Stock. We may in the future create additional equity incentive plans, which may at that time require us to file a registration statement under the Securities Act to cover the issuance of shares upon the exercise or vesting of awards granted or otherwise purchased under those plans. As a result, any shares issued or granted under the plans may be freely tradable in the public market. If equity securities are issued under the plans, if implemented, and it is perceived that they will be sold in the public market, then the price of our Common Stock could decline substantially.

No holders of any shares of our Common Stock have rights to require us to file registration statements for the public resale of such shares.

Provisions of our Articles of Incorporation and Bylaws may delay or prevent a takeover which may not be in the best interests of our stockholders.

Provisions of our Articles of Incorporation and our Bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt. In addition, certain provisions of the Nevada Revised Statutes also may be deemed to have certain anti-takeover effects which include that control of shares acquired in excess of certain specified thresholds will not possess any voting rights unless these voting rights are approved by a majority of a corporation's disinterested stockholders. Further, our Articles of Incorporation authorize the issuance of up to 5,000,000 shares of preferred stock with such rights and preferences as may be determined from time to time by our board of directors in their sole discretion. Our board of directors may, without stockholder approval, issue additional series of preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our Common Stock.

We have never paid dividends on our Common Stock and have no plans to do so in the future.

Holders of shares of our Common Stock are entitled to receive such dividends as may be declared by our board of directors. To date, we have paid no cash dividends on our shares of Common Stock and we do not expect to pay cash dividends on our Common Stock in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our Common Stock may have will be in the form of appreciation, if any, in the market value of their shares of Common Stock. See “**Dividend Policy.**”

USE OF PROCEEDS

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We anticipate that the net proceeds of the Offering will be used for the following purposes in the following order: (a) first towards the fees and expenses (legal, auditing, accounting, listing fees, transfer agent and financial printer) associated with qualification of Offering under Regulation A; and (b) second towards the implementation of our business plan, including but not limited to, (i) research and development, (ii) expansion of our product line, and (iii) sales and marketing activities; and (c) the balance of capital raised for general corporate purposes, including working capital, sales and marketing activities and general and administrative purposes. In the event that we sell less than the maximum shares offered in the Offering, our first priority is to pay fees associated with the qualification of this Offering under Regulation A. No proceeds will be used to compensate or otherwise make payments to officers or directors except for ordinary payments under employment or consulting agreements.

The proceeds of this Offering will be \$10,000,000 if all of the Shares offered hereunder are purchased. However, we cannot guarantee that we will sell all of the Shares we are offering. The following table summarizes how we anticipate using the gross proceeds of this Offering, depending upon whether we sell 50%, 75%, or 100% of the Shares being offered in the Offering:

	If 50% of Shares Sold	If 75% of Shares Sold	If 100% of Shares Sold
Gross Proceeds	\$5,000,000	\$7,500,000	\$10,000,000
Offering Expenses (Underwriting Discounts and Commissions to Placement Agent and other broker dealers)	350,000	525,000	700,000
Net Proceeds	4,650,000	6,975,000	9,300,000
Our intended use of the net proceeds is as follows:			
Fees for Qualification of Offering under Regulation A	(344,500)	(357,000)	(369,500)
Research and Development	(650,000)	(1,025,000)	(1,400,000)
Expansion of Product Line	(950,000)	(1,325,000)	(1,700,000)
Sales and Marketing Activities	(1,445,000)	(2,420,000)	(3,395,000)
Working Capital	(1,260,500)	(1,848,000)	(2,435,500)
Total Use of Proceeds	\$5,000,000	\$7,500,000	\$10,000,000

CAPITALIZATION

The following table shows our cash and cash equivalents and capitalization as of June 30, 2017.

We derived this table from, and it should be read in conjunction with and is qualified in its entirety by reference to, our historical financial statements and the accompanying notes included elsewhere in this Offering Circular. You should also read this table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	As of June 30, 2017 Actual
Cash and cash equivalents	\$4,283,216
Stockholders’ equity:	
Common stock, \$0.0001 par value; 100,000,000 shares authorized and 15,848,105 shares issued and outstanding on an actual basis	1,586
Class A Common stock, \$0.0001 par value; 5,000,000 shares authorized and no shares issued and outstanding on an actual basis	-
Class B Common stock, \$0.0001 par value; 15,000,000 shares authorized and no shares issued and outstanding on an actual basis	-
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized and no shares issued and outstanding on an actual basis	-
Treasury stock at cost, 6,900 shares and outstanding as of June 30, 2017	(13,800)
Additional paid-in capital	15,727,265
Accumulated deficit	(5,669,372)
Total stockholders’ equity	10,045,679
Total capitalization	\$10,045,679

The number of shares of Common Stock outstanding excludes the following securities (unless stated otherwise above):

1,838,764 shares of our Common Stock issuable upon the exercises of our outstanding warrants exercisable at a price of \$1.36 per share through January 16, 2020. We redeemed these warrants on August 16, 2017. See “Description of Business - Modern Round Co-Venture Agreement”; and

1,120,833 shares of our Common Stock issuable upon the exercise of our outstanding stock options exercisable at a weighted exercise price of \$0.84 per share through January 16, 2020. Since June 30, 2017, we have redeemed an aggregate of 57,500 options bringing the total stock options outstanding as of December 21, 2017 to 1,063,333 shares at a weighted exercise price of \$0.90 per share, exercisable through July 1, 2024.

MARKET PRICE FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our Common Stock is currently quoted on the OTCQX tier of the OTC Markets Group. The OTC Market is a computer network that provides information on current “bids” and “asks”, as well as volume information.

The following table sets forth the range of high and low closing bid quotations for our Common Stock for each of the periods indicated as reported by the OTC Markets. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

2015	Low	High
January 1 - March 31	\$1.33	\$1.73
April 1 - June 30	\$0.95	\$1.60
July 1 - September 30	\$0.80	\$1.15
October 1 - December 31	\$0.82	\$1.40
2016		
January 1 - March 31	\$1.101	\$1.399
April 1 - June 30	\$1.115	\$2.10
July 1 - September 30	\$2.00	\$3.05
October 1 - December 31	\$2.60	\$3.21
2017		
January 1 - March 31	\$1.796	\$2.64
April 1 - June 30	\$1.76	\$2.59
July 1 - September 30	1.82	2.60

Holder of Common Stock

As of December 21, 2017, 15,855,178 shares of our Common Stock were issued and outstanding and held by approximately 40 holders of record. In addition, we have no shares of Class A Common Stock, Class B Common Stock or Preferred Stock issued and outstanding.

DETERMINATION OF OFFERING PRICE

The public offering price of the shares was determined by negotiation between us and the Underwriter. That public offering price is subject to change as a result of market conditions and other factors. The principal factors considered in determining the public offering price of the shares included:

the information in this Offering Circular and otherwise available to the Underwriter, including our financial information;

the history and the prospects for the industry in which we compete;

the ability of our management;

the prospects for our future earnings;

the present state of our development and our current financial condition;

the general condition of the economy and the securities markets in the United States at the time of this offering;

the market price of our Common Stock quoted on the OTCQX;

the recent market prices of, and the demand for, publicly-traded securities of generally comparable companies; and
other factors as were deemed relevant.

DILUTION

Dilution is the amount by which the offering price paid by purchasers of Common Stock sold in this offering will exceed the pro forma net tangible book value per share of Common Stock after the offering. As of June 30, 2017, our net tangible book value was approximately \$10,045,679, or \$0.64 per share, assuming the exercise of all outstanding options and warrants to purchase Common Stock. Net tangible book value is the value of our total tangible assets less total liabilities.

Based on the initial offering price of \$3.50 per one share of Common Stock, on an as adjusted basis as of June 30, 2017, after giving effect to the offering of shares of Common Stock and the application of the related net proceeds, our net tangible book value would be:

(i) \$18,976,179, or \$1.01 per share of Common Stock, assuming the sale of 100% of the shares offered (2,857,142 shares) with net proceeds in the amount of \$8,930,500 after deducting estimated broker commissions of \$700,000 and estimated offering expenses of \$369,500;

(ii) \$16,663,679, or \$0.93 per share of Common Stock, assuming the sale of 75% of the shares offered (2,142,857 shares) with net proceeds in the amount of \$6,618,000 after deducting estimated broker commissions of \$525,000 and estimated offering expenses of \$357,000; and

(iii) \$14,351,179, or \$0.83 per share of Common Stock, assuming the sale of 50% of the shares offered (1,428,571 shares) with net proceeds in the amount of \$4,305,500 after deducting estimated broker commissions of \$350,000 and estimated offering expenses of \$344,500.

Purchasers of shares of Common Stock in this offering will experience immediate and substantial dilution in net tangible book value per share for financial accounting purposes, as illustrated in the following table on an approximate dollar per share basis, depending upon whether we sell 100%, 75% or 50% of the shares being offered in this offering:

<i>Percentage of offering shares of Common Stock sold</i>	<i>100%</i>	<i>75%</i>	<i>50%</i>
Offering price per share of Common Stock	\$3.50	\$3.50	\$3.50
Net tangible book value per share of Common Stock before this offering	\$ 0.64	\$0.64	\$0.64
Increase in net tangible book value per share attributable to new investors	\$0.37	\$0.29	\$0.19
Pro forma net tangible book value per share after this offering	\$1.01	\$0.93	\$0.83
Immediate dilution in net tangible book value per share to new investors	\$2.49	\$2.57	\$2.67

The following tables sets forth depending upon whether we sell 100%, 75%, or 50% of the shares being offered in this offering, as of June 30, 2017, the number of shares of Common Stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of Common Stock in this offering, after giving pro forma effect to the exercise of all outstanding warrants and options to purchase Common Stock, and the new investors in this offering at the offering price of \$3.50 per share of Common Stock, together with the total consideration paid an average price per share paid by each of these groups, before deducting estimated offering expenses.

100% of the Offered Shares Sold

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders as of June 30, 2017	15,855,178	80.2 %	\$15,728,851	58.9 %	\$ 0.99
Assumed exercise of options to purchase common stock	1,063,333	5.4 %	\$958,776	3.6 %	\$ 0.90
New investors	2,857,142	14.4 %	\$10,000,000	37.5 %	\$ 3.50
Total	19,775,653	100.0 %	\$26,687,627	100.0 %	\$ 1.35

75% of the Offered Shares Sold

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders as of June 30, 2017	15,855,178	83.2 %	\$15,728,851	65.0 %	\$ 0.99
Assumed exercise of options to purchase common stock	1,063,333	5.6 %	\$958,776	4.0 %	\$ 0.90
New investors	2,142,857	11.2 %	\$7,500,000	31.0 %	\$ 3.50
Total	19,061,368	100.0 %	\$24,187,627	100.0 %	\$ 1.27

	50% of the Offered Shares Sold					
	Shares Purchased		Total Consideration		Average Price	
	Number	Percent	Amount	Percent	per Share	
Existing stockholders as of June 30, 2017	15,855,178	86.4 %	\$15,728,851	72.5 %	\$ 0.99	
Assumed exercise of options to purchase common stock	1,063,333	5.8 %	\$958,776	4.4 %	\$ 0.90	
New investors	1,428,571	7.8 %	\$5,000,000	23.1 %	\$ 3.50	
Total	18,347,082	100.0 %	\$21,687,627	100.0 %	\$ 1.18	

The foregoing discussion and tables above do not give effect to the 200,000 shares of our common stock issuable upon the exercise of warrants at an exercise price of \$4.20 per share which would be issued by us to the Underwriter in connection with the Offering assuming all of the shares offered in this Offering are sold.

UNDERWRITING

We have entered into an underwriting agreement with the Underwriter, with respect to the shares of our Common Stock in this offering. Under the terms and subject to the conditions contained in the underwriting agreement, we have agreed to issue and sell to the public through the Underwriters, and the Underwriters has agreed to offer and sell, up to 2,857,142 shares of our Common Stock, on a best efforts basis.

The underwriting agreement provides that the obligation of the Underwriter to arrange for the offer and sale of the shares of our Common Stock, on a best efforts basis, is subject to certain conditions precedent. The Underwriter is under no obligation to purchase any shares of our Common Stock for its own account. As a “best efforts” offering, there can be no assurance that the offering contemplated hereby will ultimately be consummated, or even if consummated that we will in fact obtain a listing on NASDAQ. The Underwriter may, but is not obligated to, retain other selected dealers that are qualified to offer and sell the shares and that are members of the Financial Industry Regulatory Authority, Inc. The Underwriter proposes to offer the shares to investors at the public offering price, and will receive cash equal to seven percent (7%) of the gross amount to be disbursed to the Company. The gross proceeds of this offering will be deposited in an Offering Deposit Account established by us, until we have sold a minimum of 1,428,571 shares of Common Stock and otherwise satisfy the listing conditions to trade our Common Stock on NASDAQ.

This offering will terminate on the date which is ninety (90) days immediately following the date of qualification, subject to extension for up to ninety (90) days with the mutual agreement of us and our Underwriters; provided that, if we have received and accepted subscriptions for the minimum number of Offered Shares on or before the date which is ninety (90) days immediately following the date of qualification, or the end of the ninety (90) day extension, if exercised, then we will close on the minimum offering amount (the “Initial Closing”) and this offering will continue until the earliest of (i) the date which is ninety (90) days after the Initial Closing, or (ii) with the mutual agreement of us and our Underwriters, a date which is less than ninety (90) days after the Initial Closing in order to coordinate with the commencement of exchange trading of our Common Stock, or (iii) the date on which the maximum offering amount is sold. Once we satisfy the minimum stock sale and NASDAQ listing conditions, the funds will be released to us less offering expenses, including but not limited to, underwriter’s fees and expenses.

We intend to apply to NASDAQ to list shares our Common Stock under the symbol “VTSI.” In order to list, we will have to comply with NASDAQ listing standards and approval from NASDAQ will be conditional upon meeting these listing standards. We expect our Common Stock to begin trading on NASDAQ upon the consummation of the Offering.

The following table and the two succeeding paragraphs summarize the underwriting compensation and estimated expenses we will pay:

	Public Offering Price	Underwriting Commissions	Proceeds to Us, Before Expenses
Per share	\$ 1	\$ 0.245	\$ 3.255
Total minimum offering	\$ 5,000,000	\$ 350,000	\$ 4,650,000
Total maximum offering	\$ 10,000,000	\$ 700,000	\$ 9,300,000

We have agreed to reimburse the Underwriter for expenses incurred relating to the offering, including all actual fees and expenses incurred by the Underwriters in connection with, among other things, due diligence costs, which shall not exceed \$50,000, \$25,000 of which was paid upon the execution of the engagement agreement, and the fees and expenses of the Underwriter's counsel, which shall not exceed \$75,000. We have also agreed to pay the Underwriters an advisory fee of \$25,000 upon the closing of this offering. We estimate that the total expenses of this offering (including the foregoing expenses set forth in this paragraph), excluding underwriting commissions described above, will be approximately \$369,500. In the event this offering does not close or the engagement agreement is terminated for any reason, we have agreed to reimburse the Selling Agent for all unreimbursed, reasonable, documented, out-of-pocket fees, expenses, and disbursements. Out-of-pocket expenses above \$500 are to be pre-approved by us.

As additional compensation to the Underwriter, upon consummation of this offering, we will issue to the Underwriter or its designees warrants to purchase an aggregate number of shares of our Common Stock equal to 7% of the number of shares of Common Stock issued in this offering, at an exercise price per share equal to 120% of the initial public offering price (the "Underwriter Warrants"). The Underwriter Warrants and the underlying shares of Common Stock will not be exercised, sold, transferred, assigned, or hypothecated or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the Underwriter Warrants by any person for a period of 180 days from the qualification date of the offering circular for this offering in accordance with FINRA Rule 5110. The Underwriter Warrants will expire on the fifth anniversary of the qualification date of the offering, in accordance with FINRA Rule 5110(f)(2)(G)(i).

In connection with this offering, as long as we have successfully closed a minimum amount of \$5,000,000, we will grant the Underwriter a right of first refusal, for a period of 12 months following the qualification of this offering, to act as placement agent or underwriter or to act as a joint financial advisor on at least equal economic terms on any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of the equity assets of the Company.

The Underwriter has informed us that they may provide an allowance not in excess of \$0.175 per share to other dealers out of the Underwriter's commission of \$0.245 per share.

An offering circular in electronic format may be made available on the websites maintained by the Underwriter, or selling group members, if any, participating in the offering. The Underwriter may agree to allocate a number of shares to selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the Underwriter and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of capital stock of our company or any securities convertible into or exercisable or exchangeable for shares of capital stock of our company; (ii) file or cause to be filed any registration statement with the SEC relating to the offering of any shares of capital stock of our company or any securities convertible into or exercisable or exchangeable for shares of capital stock of our company; or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of capital stock of our company, whether any such transaction described in clause (i), (ii) or (iii) above is to be settled by delivery of shares of capital stock of our company or such other securities, in cash or otherwise, in each case without the prior consent of the Underwriter for a period of twelve months after the date of this Offering Circular, other than (A) the shares of our Common Stock to be sold hereunder, (B) the issuance by us of shares of our Common Stock upon the exercise of a stock option or warrant or the conversion of a security outstanding on the date of this offering, hereafter issued pursuant to our currently existing or hereafter adopted equity compensation plans or employment or consulting agreements or arrangements of which the Underwriters have been advised in writing or which have been filed with the Commission or (C) the issuance by us of stock options or shares of capital stock of our company under any currently existing or hereafter adopted equity compensation plan or employment/consulting agreements or arrangements of our company. There are exceptions to these restrictions if our price per share exceeds certain amounts for a five-day period.

Mr. Ferris, our Chief Executive Officer, has entered into a lock-up agreement with the Underwriter. Under the lock-up agreement, subject to certain exceptions, Mr. Ferris may not, without the prior written approval of the Underwriter, offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, or hedge our Common Stock or securities convertible into or exchangeable or exercisable for our Common Stock. These restrictions will be in effect for a period of approximately one year after the date of this Offering Circular.

The underwriting agreement provides that we will indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act, or contribute to payments the Underwriter may be required to make in respect thereof.

We intend to apply to have our Common Stock approved for listing on NASDAQ under the symbol “VTSL.” If the application is approved, trading of our Common Stock on NASDAQ is expected to begin within five days after the date of initial issuance of the Common Stock. We will not consummate and close this offering without a listing approval letter from NASDAQ. Our receipt of a listing approval letter is not the same as an actual listing on NASDAQ. The listing approval letter will serve only to confirm that, if we sell a number of shares in this best efforts offering sufficient to satisfy applicable listing criteria, our Common Stock will in fact be listed.

We intend to market the Offered Shares in this Offering, in whole or in part, through the FlashFunders™ online platform located at <http://www.flashfunders.com> (the “Platform”) operated by FlashFunders, Inc. (collectively, with its subsidiaries and affiliates, “FlashFunders”), where this Offering Circular will be posted. FlashFunders, through its wholly owned subsidiary, FinTech Clearing, LLC, a FINRA member has been further engaged to provide certain technology and clearing services, including Offering Deposit Account services, in connection with this Offering (FlashFunders Clearing Services). The fee for FlashFunders Clearing Services equal to 0.25% of the gross offering proceeds will be paid by the Underwriter and will be reimbursed to the Underwriter. Further, the Company will pay FlashFunders (i) a technology fee equal to 0.25% of the gross Offering proceeds, which is included as underwriting compensation; (ii) applicable fees for fund transfers and accounting, including: funds transfer fees – \$0.50 per ACH transfer; \$12.00 per incoming wire transfer; \$30.00 per outgoing domestic wire transfer; \$40.00 per outgoing foreign wire transfer; \$10.00 per check; and other banking and vendor fees as appropriate for funds processing; (iii) \$2.00 processing fee for each AML; (iv) \$8.00 fee for funds transfer exception, if any; and (v) a \$10,000 listing fee, which is included as underwriting compensation. The Offering is also marketed through our own website.

ERISA Considerations

Special considerations apply when contemplating the purchase of Shares of our common stock on behalf of employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), plans, individual retirement accounts (“IRAs”) and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA, and entities whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”). A person considering the purchase of the Offered Shares on behalf of a Plan is urged to consult with tax and ERISA counsel regarding the effect of such purchase and, further, to determine that such a purchase will not result in a prohibited transaction under ERISA, the Code or a violation of some other provision of ERISA, the Code or other applicable law. We will rely on such determination made by such persons, although no Shares of our common stock will be sold to any Plans if management believes that such sale will result in a prohibited transaction under ERISA or the Code.

Marketability

Our Common Stock is currently quoted on the OTCQX tier of the OTC Markets. The OTC Markets is maintained by OTC Market Group, Inc. The securities traded on the OTC Markets are not listed or traded on the floor of an organized national or regional stock exchange. Instead, these securities transactions are conducted through a telephone and computer network connecting dealers in stocks. Over-the-counter stocks are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange.

Notwithstanding our Common Stock being quoted on the OTC Markets, a purchaser of the Offered Shares may not be able to resell them. Broker-dealers may be discouraged from effecting transactions in our Common Stock because they will be considered penny stocks and will be subject to the penny stock rules. Rules 15g-1 through 15g-9 promulgated under the Exchange Act impose sales practice and disclosure requirements on FINRA brokers-dealers who make a market in a “penny stock.” A penny stock generally includes any non-NASDAQ equity security that has a market price of less than \$5.00 per share. Under the penny stock regulations, a broker-dealer selling penny stock to anyone other than an established customer or “accredited investor” (generally, an individual with net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser’s written consent to the transaction prior to sale, unless the broker-dealer or the transactions is otherwise exempt. In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer’s account and information with respect to the limited market in penny stocks.

The additional sales practice and disclosure requirements imposed upon brokers-dealers may discourage broker-dealers from effecting transactions in our Common Stock, which could severely limit the market liquidity of the Offered Shares and impede the sale of our Offered Shares in the secondary market, assuming one develops.

Foreign Regulatory Restrictions on Purchase of the Offered Shares

We have not taken any action to permit a public offering of our Offered Shares outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to this offering of Offered Shares and the distribution of the prospectus outside the United States.

Investment Amount Limitations

Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and non-natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

As a Tier 2, Regulation A offering, investors must comply with the 10% limitation to investment in the offering. The only investor in this offering exempt from this limitation is an accredited investor, an “Accredited Investor,” as defined under Rule 501 of Regulation D. If you meet one of the following tests you should qualify as an Accredited Investor:

- (i) You are a natural person who has had individual income in excess of \$200,000 in each of the two most recent years, or joint income with your spouse in excess of \$300,000 in each of these years, and have a reasonable expectation of reaching the same income level in the current year;
- (ii) You are a natural person and your individual net worth, or joint net worth with your spouse, exceeds \$1,000,000 at the time you purchase Offered Shares (please see below on how to calculate your net worth);
- (iii) You are an executive officer or general partner of the issuer or a manager or executive officer of the general partner of the issuer;
- (iv) You are an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the Code, a corporation, a Massachusetts or similar business trust or a partnership, not formed for the

specific purpose of acquiring the Offered Shares, with total assets in excess of \$5,000,000;

- (v) You are a bank or a savings and loan association or other institution as defined in the Securities Act, a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, an insurance company as defined by the Securities Act, an investment company registered under the Investment Company Act of 1940, as amended, or the Investment Company Act, or a business development company as defined in that act, any Small Business Investment Company licensed by the Small Business Investment Act of 1958 or a private business development company as defined in the Investment Advisers Act of 1940;

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- (vi) You are an entity (including an Individual Retirement Account trust) in which each equity owner is an accredited investor;

You are a trust with total assets in excess of \$5,000,000, your purchase of Offered Shares is directed by a person who either alone or with his purchaser representative(s) (as defined in Regulation D promulgated under the (vii) Securities Act) has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, and you were not formed for the specific purpose of investing in the Offered Shares; or

You are a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality (viii) of a state or its political subdivisions, for the benefit of its employees, if such plan has assets in excess of \$5,000,000.

Offering Period and Expiration Date

This Offering will start on the date this Offering Circular is declared qualified by the SEC. This offering will terminate on the date which is ninety (90) days immediately following the date of qualification, subject to extension for up to ninety (90) days with the mutual agreement of us and our Underwriters; provided that, if we have received and accepted subscriptions for the minimum number of Offered Shares on or before the date which is ninety (90) days immediately following the date of qualification, or the end of the ninety (90) day extension, if exercised, then we will close on the minimum offering amount (the “Initial Closing”) and this offering will continue until the earliest of (i) the date which is ninety (90) days after the Initial Closing, or (ii) with the mutual agreement of us and our Underwriters, a date which is less than ninety (90) days after the Initial Closing in order to coordinate with the commencement of exchange trading of our Common Stock, or (iii) the date on which the maximum offering amount is sold (such earliest date, the “Termination Date”). If, on the Initial Closing date, we have sold less than the maximum number of Offered Shares, then we may hold one or more additional closings for additional sales (each an “Additional Closing”), up to the maximum number of Offered Shares, and until the Termination Date. Our company and the Underwriters will consider various factors in determining the timing of any Additional Closings, including the amount of proceeds received at the Initial Closing, any Additional Closings that have already been held, the level of additional valid subscriptions received after the Initial Closing, the eligibility of additional investors under applicable laws and coordination with the commencement of exchange trading of our Common Stock.

Procedures for Subscribing

If you decide to subscribe for any Common Stock in this Offering, you should:

Go to the Offering page at www.flashfunders.com/virtra, click on the “Invest” button and follow the procedures as described.

1. Electronically receive, review, execute and deliver to us through DocuSign, a Subscription Agreement; and
2. Deliver funds only by ACH, wire transfer or check for the amount set forth in the Subscription Agreement directly to the specified bank account maintained by the Deposit Account Agent.

The VirTra website will redirect interested investors via the “Invest Now” button to a site operated by FlashFunders, where investors can receive, review, execute and deliver subscription agreements electronically.

Any potential investor will have ample time to review the Subscription Agreement, along with their counsel, prior to making any final investment decision. We shall only deliver such Subscription Documents upon request after a potential investor has had ample opportunity to review this Offering Circular. Further, we will not accept any money until the SEC declares the Offering Statement qualified.

Following the initial closing on the minimum offering amount, we anticipate that we may hold one or more additional closings for purchases of the Offered Shares until the offering is fully subscribed or we terminate the Offering. Proceeds will be held with the Deposit Account Agent in an Offering Deposit Account subject to compliance with Exchange Act Rule 15c2-4 until closing occurs. Our Underwriter and/or the participating broker-dealers will submit a subscriber’s form(s) of payment in compliance with Exchange Act Rule 15c2-4, generally by noon of the next business day following receipt of the subscriber’s subscription agreement and form(s) of payment.

You will be required to represent and warrant in your subscription agreement that you are an accredited investor as defined under Rule 501 of Regulation D or that your investment in the shares of Common Stock does not exceed 10% of your net worth or annual income, whichever is greater, if you are a natural person, or 10% of your revenues or net assets, whichever is greater, calculated as of your most recent fiscal year if you are a non-natural person. By completing and executing your subscription agreement you will also acknowledge and represent that you have received a copy of this offering circular, you are purchasing the shares of Common Stock for your own account and that your rights and responsibilities regarding your shares of Common Stock will be governed by our chart and bylaws, each filed as an exhibit to the Offering Circular of which this offering circular is a part.

Right to Reject Subscriptions. After we receive your complete, executed subscription agreement and the funds required under the subscription agreement have been transferred to the Deposit Account Agent, we have the right to review and accept or reject your subscription in whole or in part, for any reason or for no reason. We will return all monies from rejected subscriptions immediately to you, without interest or deduction.

Acceptance of Subscriptions. Upon our acceptance of a subscription agreement, we will countersign the subscription agreement and issue the shares subscribed at closing. Once you submit the subscription agreement and it is accepted, you may not revoke or change your subscription or request your subscription funds. All accepted subscription agreements are irrevocable.

Under Rule 251 of Regulation A, non-accredited, non-natural investors are subject to the investment limitation and may only invest funds which do not exceed 10% of the greater of the purchaser's revenue or net assets (as of the purchaser's most recent fiscal year end). A non-accredited, natural person may only invest funds which do not exceed 10% of the greater of the purchaser's annual income or net worth (please see below on how to calculate your net worth).

NOTE: For the purposes of calculating your Net Worth, it is defined as the difference between total assets and total liabilities. This calculation must exclude the value of your primary residence and may exclude any indebtedness secured by your primary residence (up to an amount equal to the value of your primary residence). In the case of fiduciary accounts, net worth and/or income suitability requirements may be satisfied by the beneficiary of the account or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase of the Offered Shares.

In order to purchase Offered Shares and prior to the acceptance of any funds from an investor, an investor will be required to represent, to our satisfaction, that he is either an accredited investor or is in compliance with the 10% of net worth or annual income limitation on investment in this offering.

Non-U.S. investors may participate in this Offering by depositing their funds in the Offering Deposit Account held at Pacific Western Bank. Any such funds that the Deposit Account Agent receives shall be held on deposit until the applicable closing of the Offering or such other time as mutually agreed between the Company and the Underwriter, and then used to complete securities purchases, or returned if this Offering fails to close.

DIVIDEND POLICY

We have not declared or paid dividends on our Common Stock since our formation, and we do not anticipate paying dividends in the foreseeable future. Declaration or payment of dividends, if any, in the future, will be at the discretion of our Board of Directors and will depend on our then current financial condition, results of operations, capital requirements and other factors deemed relevant by the Board of Directors. There are no contractual restrictions on our ability to declare or pay dividends. Consequently, you will only realize an economic gain on your investment in our Common Stock if the price appreciates. You should not purchase our Common Stock expecting to receive cash dividends. Since we do not anticipate paying dividends, and if we are not successful in establishing an orderly public trading market for our shares, then you may not have any manner to liquidate or receive any payment on your investment. Therefore, our failure to pay dividends may cause you to not see any return on your investment even if we are successful in our business operations. In addition, because we may not pay dividends in the foreseeable future, we may have trouble raising additional funds which could affect our ability to expand our business operations.

DESCRIPTION OF BUSINESS

Our Corporate History

We are a corporation organized and existing under the laws of the State of Nevada. 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.

Effective as of October 1, 2016 (the “Effective Date”), we completed a conversion from a Texas corporation to a Nevada corporation pursuant to a Redomestication Plan of Conversion (the “Plan of Conversion”) that was approved by our Board of Directors on June 23, 2016 and our shareholders on September 16, 2016. On the Effective Date, 15,855,005 shares of common stock of VirTra Systems, Inc., a Texas corporation, were converted into 15,855,005 shares of Common Stock of VirTra, Inc., a Nevada corporation. No shareholders exercised appraisal rights or dissenters’ rights for such shares in accordance with the Texas Business Organization Code.

As part of the Plan of Conversion, we filed Articles of Incorporation in Nevada whereby we changed our name from VirTra Systems, Inc. to VirTra, Inc. and revised our capitalization. Our Articles of Incorporation filed in Nevada authorize us to issue 125,000,000 shares, of which (1) 120,000,000 shares shall be Common Stock, par value \$0.0001 per share (the “Common Stock”), of which (a) 100,000,000 shares shall be Common Stock, par value \$0.0001, (b) 5,000,000 shares shall be Class A Common Stock, par value \$0.0001 per share (the “Class A Common Stock”), and (c) 15,000,000 shares shall be Class B Common Stock, par value \$0.0001 per share (the “Class B Common Stock”) and (2) 5,000,000 shares shall be Preferred Stock, par value \$0.0001 per share, which may, at the sole discretion of the Board of Directors be issued in one or more series (the “Preferred Stock”). We also adopted new bylaws as part of the Plan of Conversion.

Effective October 20, 2016, we effected a 1 for 10 reverse stock split of our issued and outstanding Common Stock (the “Reverse Stock Split”). All references to shares of our common stock in Offering Circular refer to the number of shares of common stock after giving effect to the Reverse Stock Split (unless otherwise indicated).

Business Overview

We develop, sell and support use of force training and marksmanship firearms training systems and accessories for law enforcement, military, educational or civilian use. Our simulators use software, hardware and content to create uniquely effective and realistic training that does not require live ammunition or less-than-lethal munitions, which can both save money and provide certain training capabilities unavailable to live fire exercises. We have developed a higher standard in simulation training including capabilities such as: multi-screen video based scenarios, unique scenario authoring ability, superior training scenarios, the patented Threat-Fire™ shoot-back system, powerful gas-powered simulated recoil weapons, and more.

The VirTra simulator allows marksmanship and realistic scenario based training to take place on a daily basis without the need for a shooting range, protective equipment, role players, safety officers, or a scenario based training site. The simulator also allows students to receive immediate feedback from the instructor without the potential for sustaining injuries by the instructor or the students. The instructor is able to teach and re-mediate critical issues, while placing realistic stress on the students due to the realism and safe training environment created by the VirTra simulator.

We also are engaged in licensing our technology to Modern Round Entertainment Corporation (“MREC”), a developer and operator of a combined dining and entertainment concept centered on an indoor shooting experience (the “MREC Concept”).

Business Strategy

We have four main customer groups, namely, law enforcement, military, educational (includes colleges and police academies) and civilian. These are very different markets and require different sales and marketing programs as well as personnel. Our focus is to expand the market share and scope of our training simulators sales to these identified customer groups by pursuing the following key growth strategies:

Build Our Core Business. Our goal is to profitably grow our market share by continuing to develop, produce and market the most effective simulators possible. Through disciplined growth in our business, we have achieved a solid balance sheet by increasing our working capital and limiting our bank debt. We plan to add staff to our experienced management team as needed to meet the expected increase in demand for our products and services as we increase our marketing and sales activities.

Increase Total Addressable Market. We plan to increase the size of our total addressable market. This effort will focus on new marketing and new product and/or service offerings for the purpose of widening the number of types of customers who might consider our products or services uniquely compelling.

Broaden Product Offerings. Since formation in 1993, our company has had a proud tradition of innovation in the field of simulation and virtual reality. We plan to release revolutionary new products and services as well as continue incremental improvements to existing product lines. In some cases, the company may enter a new market segment via the introduction of a new type of product or service.

Partners and Acquisitions. We try to spend our time and funds wisely and not tackle tasks that can be done more efficiently with partners. For example, international distribution is often best accomplished through a local distributor or agent. We are also open to the potential of acquiring additional businesses or of being acquired ourselves, based on what is expected to be optimal for our long-term future and our shareholders.

Product Offerings

Our simulator products include the following:

V-300™ Simulator – a 300° wrap-around screen with video capability is the higher standard for simulation training

The V-300™ is the higher standard for decision-making simulation and tactical firearms training. Five screens and a 300-degree immersive training environment ensures that time in the simulator translates into real world survival skills. The system reconfigures to support 15 lanes of individual firing lanes.

A key feature of the V-300™ shows how quickly judgment decisions have to be made, and if they are not made immediately and quickly, the possible loss of lives. This feature, among others, supports our value proposition to our customers that you can't put a dollar value on being prepared enough for the surprises that could be around every corner and the ability to safely neutralize any life threaten encounters.

V-180™ Simulator – a 180° screen with video capability is for smaller spaces or smaller budgets

The V-180™ is the higher standard for decision-making simulation and tactical firearms training. Three screens and a 180-degree immersive training environment ensures that time in the simulator translates into real world survival skills. The system reconfigures to support 9 lanes of individual firing lanes.

V-100™ Simulator – a single-screen based simulator system

The V-100™ MIL is the higher standard among single-screen firearms training simulators. Firearms training mode supports up to 4 individual firing lanes at one time. The optional Threat-Fire™ device safely simulates enemy return of fire with an electric impulse (or vibration version), reinforcing performance under pressure. We offer the industry's only upgrade path, so a V-100™ MIL firearms training and force options simulator can affordably grow into an advanced multi-screen trainer in upgraded products that we offer customers for future purchase.

The V-100™ MIL is sold to various military commands throughout the world and can support any local language. The system is extremely compact and can even share space with a standard classroom or squeeze into almost any existing facility. If a portable firearms simulator is needed, this model offers the most compact single-screen simulator on the market today – everything organized into one standard case.

The V-100™ MIL is the higher standard among single-screen small arms training simulators. Military Engagement Skills mode supplies realistic scenario training taken from real world events.

V-ST™ Simulator – a highly-realistic single screen simulated shooting range simulator with the ability to scale to multiple screens

The V-ST PRO™ is a scalable firearms shooting and skills training simulator that offers superior training environments. The systems flexibility supports a combination of marksmanship and use of force training on up to 5 screens from a single operator station. The V-ST PRO™ is also capable of displaying 1 to 30 lanes of marksmanship featuring real world, accurate ballistics.

Top Subject Matter Expert Content – content supplied with our simulators is approved by top training experts

V-Author™ Software – allows users to create, edit, and train with content specific to agency's objectives

V-Author™ software allows users of the VirTra Simulation equipment to create, edit, and train with content specific to agency training objectives and environments. V-Author™ is an easy to use application capable of almost unlimited custom scenarios, skill drills, targeting exercises and firearms course-ware proven to be highly effective for users of VirTra simulation products.

Simulated Recoil – a wide range of highly realistic and reliable simulated recoil kits/weapons

Return Fire Device – the patented Threat-Fire™ device which applies real-world stress on the trainees during simulation training

Modern Round

On the civilian side, we have a Co-venture agreement with Modern Round, Inc. (formerly, Modern Round, LLC) (“Modern Round”), a wholly owned subsidiary of Modern Round Entertainment Corporation (“MREC”), a developer and operator of a combined dining and entertainment concept centered on an indoor shooting experience. MREC plans to roll out its entertainment concept nationally and currently operates one virtual shooting lounge facility in Peoria, Arizona. Under the terms of the agreement, we granted Modern Round an exclusive, non-transferable royalty-bearing right and license to use our software in virtual shooting lounge facilities provided that certain minimums are met every year. See “Description of Business – Modern Round Co-Venture Agreement.”

Operations and Suppliers

We produce some of our own products. We also rely on a variety of suppliers. Management does not expect to encounter future delays with suppliers that would have a material impact on us. However, supplier delays would adversely affect us.

Competition and Competitive Landscape

We compete against a number of established companies that provide similar products and services, some of which have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours. There are also companies whose products do not compete directly, but are sometimes closely related to the

products we offer. Meggitt Training Systems, Arotech, Inc., Ti Training Corp., Cubic, Inc. and Laser Shot, Inc. are our main competitors in some or all of our markets.

We believe that our products and services are superior to those offered by our competitors based on our strength in developing higher quality software solutions and our extensive library of virtual shooting scenario content that would require a substantial investment by a competitor to offer a comparable product.

Modern Round Co-Venture Agreement

On January 16, 2015 we entered into a Co-Venture Agreement (the “Co-Venture Agreement”) with Modern Round. We agreed to develop interactive games, skills drills, and advanced training simulation content for Modern Round pursuant to the terms of the Co-Venture Agreement, the costs of which were born by Modern Round. We also licensed our software, virtual shooting content and other intellectual property (the “VirTra Technology”) to Modern Round for a portion of its total revenue. We continue to own virtual shooting scenario content that is used in conjunction with the Modern Round platform, whether such content is created by a third-party developer or by Modern Round’s in-house development team. When a virtual shooting scenario content is used in conjunction with the Modern Round’s platform, however, Modern Round has an exclusive, worldwide license to use such content, whether created by a third-party developer or by Modern Round’s in-house development team subject to certain milestones discussed below.

The Co-Venture Agreement provided for (i) the grant to us of 1,365,789 membership units of Modern Round (“Units”), (ii) a right to participate to the extent of five percent of any offering by Modern Round of its Units, (iii) warrants to purchase 1,365,789 Units exercisable 12 months after the opening of Modern Round’s first range facility utilizing the VirTra technology pursuant to the Co-Venture Agreement at a price of \$0.25 per share and (iv) Modern Round’s payment of a royalty to us equal to 7% of its gross revenues for each location that uses the VirTra Technology with minimum royalty payments of \$280,000, \$560,000, and \$840,000 (thereafter) for each 12-month period following the opening of the first location in the United States or Canada based on sales in these territories. In addition, on April 14, 2015 Modern Round issued to us an option to purchase 125,000 of its Units. The option fully vested and became exercisable on the date of grant at an exercise price equal to \$0.50 per Unit. The April 14, 2015 option terminates on the tenth anniversary of the date of grant, if not earlier pursuant to the terms of the option.

The Co-Venture Agreement provides for a 7% royalty payment to us based on gross revenue of the Modern Round facility. The royalty commenced on June 1, 2016 with the opening of Modern Round’s Peoria, Arizona location. The agreement also provides for minimum royalty payments of \$280,000, \$560,000, and \$840,000 (thereafter), for each subsequent 12-month period following the opening of the first location in the United States or Canada, and separate minimum royalty payments, following the opening of the first location outside of the United States and Canada, each based on sales in each of the respective territories.

Modern Round’s exclusive license is conditional upon achieving certain milestones. They are required to open a location in the United States or Canada within 24 months, and are required to open an international location within five years of the execution of the Co-Venture Agreement. Additionally, they must meet the minimum royalty payments noted when they become effective. They achieved the United States or Canada milestone with the opening of their Peoria, Arizona location in June 2016. The term of the Co-Venture Agreement continues so long as Modern Round exercises any rights under the agreement with respect to the VirTra Technology. The Co-Venture Agreement may be terminated at any time by either party if the breaching party fails to cure any material breach within 30 days after written notice from the non-breaching party. If we are the breaching party, Modern Round may elect to retain the right to use the VirTra Technology and continue to pay royalties to us as provided for in the Co-Venture Agreement.

In addition to our other obligations under the Co-Venture Agreement, we issued to affiliates of MREC warrants to purchase 919,382 shares of our common stock exercisable at \$1.36 per share any time subsequent to the earlier of the first anniversary of the opening of Modern Round’s first range facility utilizing the VirTra Technology or after MREC opens its first range facility utilizing VirTra Technology and the payment of all required minimum royalty payments during the first 12-month period. We also granted warrants to affiliates of MREC to purchase 919,382 shares of our common stock exercisable at \$1.36 per share any time subsequent to Modern Round’s payment to us of \$2,000,000 in royalty fees.

On December 31, 2015, Modern Round merged with a subsidiary of MREC pursuant to a Plan of Merger (the “Merger Agreement”) and each unit of Modern Round issued and outstanding as of the effective time of the merger automatically converted into the right to receive approximately 1.2277 shares of MREC common stock. As a result of the Merger Agreement, we held 1,676,748 shares of MREC, options to purchase 153,459 shares of MREC common

stock at an exercise price of \$.41 per share, and conditional warrants to purchase 1,676,747 shares of MREC common stock at an exercise price of \$.20 per share. On October 22, 2016, we exercised the warrant and purchased 1,676,747 shares of MREC common stock for \$335,349 resulting in our aggregate holdings of MREC increasing to 3,353,495 common shares representing approximately 8.9% of the issued and outstanding common shares of MREC.

On July 28, 2017, the Company received Notices of Exercise for all 919,382 warrants currently exercisable (the “Tranche 1 Warrants”) from all the MREC affiliate holders electing to purchase warrants pursuant to the terms of the net exercise provision set forth in the Warrant Agreement. Mr. Saltz held 778,243 of the Tranche 1 Warrants prior to the assignment of the warrants to MREC on August 11, 2017. Under the net exercise provision, in lieu of exercising the warrant for cash, the holder may elect to receive shares equal to the value of the warrant (or the portion thereof being exercised) by surrender of the warrant and the Company issuing to holder the number of computed shares. Using the July 28, 2017 OTCQX closing price at \$2.18 as fair value and the \$1.36 warrant exercise price, upon conversion the 919,382 warrants entitle the holders to receive 345,823 shares of the Company’s common stock without payment of any additional consideration pursuant to the net exercise terms of the Tranche 1 Warrants that are currently exercisable.

Effective August 16, 2017, the Company and the MREC affiliate holders entered into an agreement (the “Warrant Buyout Agreement”) whereby the Company acknowledged the assignment of the Tranche 1 Warrants to MREC and agreed to repurchase them at a price of \$1.962 per share of common stock issuable by the Company pursuant to the net exercise terms of the Warrants for a total of \$678,505.

In addition, the Company agreed to repurchase from MREC an additional 919,382 warrants held by MRC that are not currently exercisable (the “Tranche 2 Warrants”). Mr. Saltz held 728,243 of the Tranche 2 Warrants prior to their assignment to MREC on August 11, 2017. The Warrant Buyout Agreement amends the Tranche 2 Warrants to provide for the immediate exercise on a net exercise basis of 48,415 shares of the Company’s common stock. The purchase price for the Tranche 2 Warrants of a total of \$94,990 is based on a price of \$1.962 per share of common stock issuable on a net exercise basis based on 48,415 shares of the Company’s common stock. The aggregate purchase price of the Tranche 1 Warrants and the Tranche 2 Warrants was \$773,495.

MREC agreed that proceeds of the warrant redemption, net of applicable taxes, would be used to fund the development of a second stand-alone Modern Round location. In addition, MREC agreed that, after giving effect to their payment to us of \$161,573 towards the \$240,000 minimum royalty due covering the first 12-month royalty period, the balance due to us in order to maintain exclusivity was \$118,427. Further, MREC acknowledged that the second 12-month minimum royalty calculation period provided for in the Co-Venture Agreement began on June 1, 2017 and ends on May 31, 2018. Total minimum royalty payments due during this period required to maintain MREC’s exclusive rights under the Co-Venture Agreement are \$560,000 including any shortfalls for prior periods being due no later than June 30, 2018. By fully funding the Minimum Royalty Payment, MREC will retain its exclusive license to use the Company’s shooting scenario content and other intellectual property in MREC’s facilities for a future 12-month period in accordance with the Co-Venture Agreement.

In addition, on August 16, 2017, we entered into an amendment to the Co-Venture Agreement to permit MREC to sublicense the VirTra Technology to third party operators of stand-alone location-based entertainment companies. MREC agreed to pay us royalties for any such sublicenses in an amount equal to 10% of the revenue paid to MREC in cases where MREC pays for the cost of the equipment for such location or 14% of the revenue paid to MREC in cases where it does not pay for the cost of the equipment.

Intellectual Property

We rely on certain proprietary technology and seek to protect our interests through a combination of patents, trademarks, copyrights, know-how, trade secrets and security measures, including confidentiality agreements. Our policy generally is to secure protection for significant innovations to the fullest extent practicable. Further, we seek to expand and improve the technological base and individual features of our products through ongoing research and development programs.

Our patent portfolio includes three issued U.S. patents, which expire between 2025 and 2028. We also have three patent applications pending for examination in the U.S. The following is a list of our issued and pending patents:

Description	SERIAL NO./	FILING DATE/	STATUS
	PATENT NO.	ISSUE DATE	
System and Method for Simulated Non-Lethal Weapons Training	15/493,056	06/25/2016	Pending
Simulated Firearms Entertainment System	15/452,689	03/07/2017	Pending
System and Method for Simulated Firearms Training	14/619,046	09/17/2012	Pending
System and Method for Mechanically Activated Laser	13/621,836	09/17/2012	Issued
	8,894,412	11/25/2014	
Method of Training Utilizing a Threat Fire Simulation System	12/643,097	12/21/2009	Issued
	8,016,594	09/13/2011	
Threat Fire Simulation and Training System	13/230,834	09/12/2011	Issued
	8,267,691	09/18/2012	

We own the trademark for “VirTra Systems” and “The Higher Standard in Firearms Training Simulators”. These trademarks are registered in the United States. We have filed applications that are pending for the trademark for “VirTra” and “Threat-Fire”. We consider the protection of our trademarks to be important to our business.

We also have copyright protection for the simulator content we produce for use in our products.

We rely on the laws of unfair competition and trade secrets to protect our proprietary rights. We attempt to protect our trade secrets and other proprietary information through confidentiality and non-disclosure agreements with customers, suppliers, employees and consultants, and through other security measures. However, we may be unable to detect the unauthorized use of, or take appropriate steps to enforce our intellectual property rights. Effective trade secret protection may not be available in every country in which we offer or intend to offer our products and services to the same extent as in the United States. Failure to adequately protect our intellectual property could harm or even destroy our brands and impair our ability to compete effectively. Further, enforcing our intellectual property rights could result in the expenditure of significant financial and managerial resources and may not prove successful. Although we intend to protect our rights vigorously, there can be no assurance that these measures will be successful.

Research and Development

During the years ended December 31, 2016 and 2015, our research and product development expenses were approximately \$1,100,000 and \$1,666,000, respectively.

Sources and Availability of Raw Materials/Manufacturing and Assembly

We obtain the key components of our products from a variety of sources that we purchase on a purchase order basis from local suppliers at market prices based on our production requirements. We believe alternative sources generally exist for the components used in our products.

Our manufacturing, assembly, warehouse and shipping facilities are located in Tempe Arizona. See Business – Property.

Employees

As of December 21, 2017, we employed 79 full-time employees. We believe that we maintain a satisfactory working relationship with our employees and have not experienced any labor disputes.

Legal Proceedings

From time to time, we are involved in various claims and legal actions arising in the ordinary course of business. On October 20, 2016 a former employee filed a lawsuit in the U.S. District Court, District of Arizona against us alleging our failure and/or refusal to pay overtime in violation of 29 U.S.C. Sec. 201, et. seq. and a claim for wrongfully withheld wages under A.R.S. Sec. 23-350 et. seq. The complaint sought certification of class action status, declaratory relief, damages, interest, attorneys' fees and such other relief the Court deemed just and proper. Additionally, two former and one current employee opted-in to the class action. On September 18, 2017, we entered into a Settlement Agreement and Release of Claims with two parties and on November 30, 2017, we entered into a Settlement Agreement and Release of Claims with the remaining two parties in the outstanding lawsuit agreeing to payments totaling \$100,300 in full dismissal of all outstanding complaints against us. The agreement does not constitute an admission that we violated any local, state or federal regulations or engaged in any improper or unlawful conduct or wrongdoing. The US District Court of Arizona, District of Arizona approved Joint Motion Requesting Approval of Settlements on September 25, 2017 and December 7, 2017, respectively, for each settlement agreement. All required settlement payments were completed in accordance with the Settlement Agreements on September 29, 2017 and December 13, 2017. Management believes that the ultimate outcome of this matter did not have a material effect on our earnings, cash flows, or financial position.

Property

We lease approximately 37,729 rentable square feet of office and warehouse space from an unaffiliated third party for our corporate office, manufacturing, assembly, warehouse and shipping facility located at 7970 South Kyrene Road, Tempe, Arizona 85284. This lease expires in April 2019. In addition, we lease approximately 4,529 rentable square feet of office and industrial space from an unaffiliated third party for our parts manufacturing facility at 2169 East 5th St., Tempe, Arizona 85284. This lease expires in March 2018.

Operations

Our operations are conducted from our principal executive office in Tempe, Arizona. We have no offices or employees internationally. However, our U.S.-based sales force works to secure contracts to supply our products in U.S. and foreign markets. As of September 30, 2017, we had existing sales contracts or warranty service obligations in the U.S. and the following seven foreign countries: Australia, Bahrain, Costa Rica, Greenland, Israel, Mexico and United Arab Emirates. When our products are introduced into an international market, it is either pursuant to a contract directly with a customer located in the foreign country, or pursuant to a contract between our company and a U.S. government agency (such as the Department of State or the United States Army). In the latter instance, our customer is the relevant U.S. government agency. The government agency may then distribute our products to third parties within the particular country.

Regulatory Matters

Our business is heavily regulated in most of our markets. We deal with numerous U.S. government agencies and entities, including, but not limited to, branches of the U.S. military and the Department of Homeland Security. Similar government authorities exist in our international markets.

We are also subject to export laws and regulations. These laws include, among others, the U.S. Export Administration Regulations, administered by the U.S. Department of Commerce, Bureau of Industry and Security, the International Traffic in Arms Regulations (the "ITAR"), administered by the U.S. Department of State, Directorate of Defense Trade Controls, and trade sanctions, regulations and embargoes administered by the U.S. Department of Treasury, Office of Foreign Assets Control. Among its many provisions, the ITAR requires a license application for the export of firearms and congressional approval for any application with a total value of \$1 million or higher. We have been issued an exemption under the ITAR that eliminates the need to apply for individual licenses to export our products outside the United States.

Any failures to comply with these laws and regulations could result in civil or criminal penalties, fines, investigations, adverse publicity and restrictions on our ability to export our products, and repeat failures could carry more significant penalties. Any changes in export regulations may further restrict the export of our products. The length of time required by the licensing processes can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. Any restrictions on the export of our products could have a material adverse effect on our competitive position, results of operations, cash flows, or financial condition.

For additional information related to export regulations, see Item 1A, entitled “Risk Factors – We may not be able to receive or retain the necessary licenses or authorizations required for us to export or re-export...”

Government Contracts

The U.S. government, and other governments, may terminate any of our government contracts at their convenience, as well as for default, based on our failure to meet specified performance requirements. If any of our U.S. government contracts were to be terminated for convenience, we generally would be entitled to receive payment for work completed and allowable termination or cancellation costs. If any of our government contracts were to be terminated for default, generally the U.S. government would pay only for the work that has been accepted and can require us to pay the difference between the original contract price and the cost to re-procure the contract items, net of the work accepted from the original contract. The U.S. government can also hold us liable for damages resulting from the default. For additional information related to government contracts, see Item 1A. “Risk Factors – Risks Related to Government Contracts.”

Environmental

We are subject to various federal, state, local and non-U.S. laws and regulations relating to environmental protection, including the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. We continually assess our compliance status and management of environmental matters to ensure our operations are in substantial compliance with all applicable environmental laws and regulations. Investigation, remediation, operation and maintenance costs associated with environmental compliance and management of sites are a normal, recurring part of our operations. These costs often are allowable costs under our contracts with the U.S. government. It is reasonably possible that continued environmental compliance could have a material impact on our results of operations, financial condition or cash flows if additional work requirements or more stringent clean-up standards are imposed by regulators, new areas of soil and groundwater contamination are discovered and/or expansions of work scope are prompted by the results of investigations.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with (i) our financial statements and related notes thereto, and (ii) the section entitled “Description of Business,” included in this Offering Circular. The discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in those forward-looking statements as a result of many factors, including, but not limited to, those set forth under “Risk Factors” and elsewhere in this Offering Circular.

Overview

We develop, sell and support use of force training and marksmanship firearms training systems and accessories for law enforcement, military or civilian use. Our simulators use software, hardware and content to create uniquely effective and realistic training that does not require live ammunition or less-than-lethal munitions, which can both save money and provide certain training capabilities unavailable to live fire exercises. We have developed a higher standard in simulation training including capabilities such as: multi-screen video based scenarios, unique scenario authoring ability, superior training scenarios, the patented Threat-Fire™ shoot-back system, powerful gas-powered simulated recoil weapons, and more.

We also are engaged in licensing our technology to Modern Round Entertainment Corporation (“MREC”), a developer and operator of a combined dining and entertainment concept centered on an indoor shooting experience.

Simulator Product Offerings

Our simulator products include the following:

V-300™ Simulator – a 300° wrap-around screen with video capability is the higher standard for simulation training

V-180™ Simulator – a 180° screen with video capability is for smaller spaces or smaller budgets

V-100™ Simulator – a single-screen based simulator system

The V-100™ MIL is sold to various military commands throughout the world and can support any local language. The system is extremely compact and can even share space with a standard classroom or squeeze into almost any existing facility. If a portable firearms simulator is needed, this model offers the most compact single-screen simulator on the market today – everything organized into one standard case.

V-ST™ Simulator – a highly-realistic single screen simulated shooting range simulator with the ability to scale to multiple screens

Top Subject Matter Expert Content – content supplied with our simulators is approved by top firearms training experts

V-Author™ Software – allows users to create, edit, and train with content specific to agency’s objectives

Simulated Recoil – a wide range of highly realistic and reliable simulated recoil kits/weapons

Return Fire Device – the patented Threat-Fire™ device which applies real-world stress on the trainees during simulation training

Results of operations for the three and six months ended June 30, 2017 and June 30, 2016

Revenues. Revenues were \$5,251,565 for the three months ended June 30, 2017 compared to \$3,385,882 for the same period in 2016. The increase was due to additional sales of simulators, accessories, warranties and other services. Revenues were \$9,460,852 for the six months ended June 30, 2017 compared to \$9,618,176 for the same period in 2016. The decrease was primarily a result of recognizing \$2.7 million in revenue on one single international order during the 2016 period.

Cost of Sales. Cost of sales was \$1,501,467 for the three months ended June 30, 2017 compared to \$1,410,700 for the same period in 2016. The increase was due to additional sales volume partially offset by a reduction in the cost of manufacturing system and product components in our recently acquired machine shop, an increase in sales of mix of higher margin products including training, service and warranty sales, and a reduction in material costs due to higher volume purchases and more favorable pricing of raw materials and systems components in 2017 compared to the same period in 2016. Cost of sales was \$3,280,412 for the six months ended June 30, 2017 compared to \$3,511,725 for the same period in 2016. The decrease is a result of a reduction in the cost of manufacturing system and product components in our recently acquired machine shop, an increase in sales of mix of higher margin products including training, service and warranty sales and a reduction in material costs due to higher volume purchases and more favorable pricing of raw materials and systems components in 2017 compared to the same period in 2016. These increases were partially offset by increased costs due to higher sales volume.

Gross Profit. Gross profit was \$3,750,098 for the three months ended June 30, 2017 compared to \$1,975,182 for the same period in 2016. The increase in gross profit margin of 71% compared to 58% for the same period in 2016 was a result of a reduction in the cost of manufacturing system and product components in our recently acquired machine shop, an increase in sales of mix of higher margin products including training, service and warranty sales and a reduction in material costs due to higher volume purchases and more favorable pricing of raw materials and systems components in 2017 compared to the same period in 2016. Gross profit was \$6,180,440 for the six months ended June 30, 2017 compared to \$6,106,451 for the same period in 2016. The gross profit margin was 65% for the six months ended June 30, 2017 compared to 63% for the same period in 2016. Gross profit increased due to the same factors we discussed above for the three month period as noted above. The Gross Profit increases were also due to sales mix of higher margin products that includes training, service and warranty sales.

Operating Expenses. Net operating expense was \$2,129,478 for the three months ended June 30, 2017 compared to \$1,613,539 for the same period in 2016. Net operating expense was \$4,086,166 for the six months ended June 30, 2017 compared to \$3,662,900 for the same period in 2016. The three month and six month year over year increases were due to expanding staffing levels, annual increases in payroll and benefits for current staff, sales and marketing expansion, new research and development work, and IT infrastructure upgrades.

Net Income. Net income was \$1,648,091 for the three months ended June 30, 2017 compared to \$322,027 for the same period in 2016. The increase in the net income resulted from increases in revenue and gross profit partially offset by an increase in operating expenses as noted above. Net income was \$2,049,979 for the six months ended June 30, 2017 compared to \$2,371,212 for the same period in 2016. The decrease in net income resulted from a slight decrease in revenue and an increase in operating expenses as noted in each respective section.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (AEBITDA)

Explanation and Use of Non-GAAP Financial Measures:

Earnings before interest, income taxes, depreciation and amortization and before other non-operating costs and income (“EBITDA”) and adjusted EBITDA are non-GAAP measures. Adjusted EBITDA also includes non-cash stock option expense. Other companies may calculate adjusted EBITDA differently. The Company calculates its adjusted EBITDA to eliminate the impact of certain items it does not consider to be indicative of its performance and its ongoing operations. Adjusted EBITDA is presented herein because management believes the presentation of adjusted EBITDA provides useful information to the Company’s investors regarding the Company’s financial condition and results of operations and because adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Company’s industry, several of which present EBITDA and a form of adjusted EBITDA when reporting their results. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under U.S. GAAP. Adjusted EBITDA should not be considered as an alternative for net (loss) income, cash flows from operating

activities and other consolidated income or cash flows statement data prepared in accordance with U.S. GAAP or as a measure of profitability or liquidity. A reconciliation of net income to adjusted EBITDA is provided in the following table:

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RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

	Three Months Ended				Six Months Ended			
	June 30, 2017	June 30, 2016	Increase (Decrease)	% Change	June 30, 2017	June 30, 2016	Increase (Decrease)	% Change
Net Income	\$1,648,091	\$322,027	\$1,326,064	412 %	\$2,049,979	\$2,371,212	\$(321,233)	-14 %
Adjustments:								
Depreciation and amortization	70,572	50,622	19,950	39 %	138,957	96,177	42,781	44 %
Non-cash stock option expense	48,812	30,000	18,812	63 %	117,975	63,990	53,985	84 %
Provision for income taxes	-	31,963	(31,963)	-100 %	78,000	65,203	12,797	20 %
Adjusted EBITDA	\$1,767,475	\$434,612	\$1,332,863	307 %	\$2,384,911	\$2,596,582	\$(211,671)	-8 %

Liquidity and Capital Resources. Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. The Company had \$4,283,216 and \$3,703,579 in cash as of June 30, 2017 and December 31, 2016, respectively. The working capital was \$7,433,993 and \$5,268,654 for the periods ended June 30, 2017 and December 31, 2016, respectively.

Net cash provided by operating activities was \$749,610 and \$1,441,133 for the six months ended June 30, 2017 and 2016, respectively, resulting from a decrease in net income and significant changes in accounts receivables, prepaid expense, other current assets, accounts payable and other accrued expenses.

Net cash used in investing activities was \$70,923 and \$221,374 for the six months ended June 30, 2017 and 2016, respectively, resulting from a reduction in purchases of property and equipment.

Net cash used in financing activities was \$99,050 and \$467,724 for the six months ended June 30, 2017 and 2016, respectively, resulting from the purchase of treasury stock and from the repurchase and cancellation of stock options.

Results of Operations for the year ended December 31, 2016 Compared to the year ended December 31, 2015

Revenues. Revenues for the year ended December 31, 2016 totaled \$15,652,168 compared to \$13,342,336 for the year ended December 31, 2015. This represents a 17% increase. Overall product line sales increased in all areas including an increase in simulator sales, accessories sales and extended warranty agreements. During the year ended December 31, 2016, revenues included \$90,047 from MREC, a related party, for royalties.

Cost of Goods Sold. Cost of Goods Sold for the year ended December 31, 2016 totaled \$5,970,058 compared to \$5,652,125 for the year ended December 31, 2015. This represents a 6% increase. The increase resulted primarily from increased product sales as noted above, partially offset by an increase in sales of mix of higher margin products including training, service and warranty sales, and a reduction in material costs due to higher volume purchases and more favorable pricing of raw materials and systems components in 2016 compared to the same period in 2015.

Gross Profit. Gross Profit for the year ended December 31, 2016 was \$9,682,110 which represented a 62% profit margin. Gross Profit for the year ended December 31, 2015 was \$7,690,211 which represented a 58% profit margin. The Gross Profit increased by 26% from years ended 2015 to 2016 due to sales mix of higher margin products that includes training, service and warranty sales and a reduction in material costs due to higher volume purchases and more favorable pricing of raw materials and systems components in 2016 compared to the same period in 2015. We do not expect our gross profit margins to change significantly during the remaining periods in fiscal 2017 as our input costs have remained relatively stable.

Operating Expenses. Operating expenses for the year ended December 31, 2016 totaled \$7,555,784 compared to \$6,199,628 for the year ended December 31, 2015. This represents a 22% increase. The operating expenses increase resulted from increases in employee costs, professional services, sales and marketing, plus research and development costs.

Net Income. Net income for the year ended December 31, 2016, totaled \$2,050,022 compared to \$1,536,983 for the year ended December 31, 2015. This represents a 33% increase. The increase in the net income resulted from increases in revenue and gross profit partially offset by an increase in operating expenses as noted above.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (AEBITDA)

Explanation and Use of Non-GAAP Financial Measures:

Earnings before interest, income taxes, depreciation and amortization and other non-operating costs and income (“EBITDA”) and adjusted EBITDA are non-U.S. GAAP measures. Adjusted EBITDA means net income (i) plus depreciation, (ii) plus non-cash stock option expense, (iii) plus treasury stock canceled, (iv) minus other income – receipt of unclaimed property, and (v) plus provision for income taxes. Other companies may calculate adjusted EBITDA differently. We calculate adjusted EBITDA to eliminate the impact of certain items we do not consider to be indicative of the performance of our ongoing operations. Adjusted EBITDA is presented herein because management believes the presentation of adjusted EBITDA provides useful information to our investors regarding our financial condition and results of operations and because adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, several of which present EBITDA and a form of adjusted EBITDA when reporting their results. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Adjusted EBITDA should not be considered as an alternative for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity. A reconciliation of net income to adjusted EBITDA is provided in the following table:

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

	Year Ended December 31		Increase/(Decrease)	% Change	
	2016 (Unaudited)	2015 (Unaudited)			
Net Income	\$2,050,022	\$ 1,536,983	\$ 513,039	33	%
Adjustments:					
Depreciation	192,602	184,846	7,756	4	%
Non-cash stock option expense	181,786	118,328	63,458	54	%
Treasury stock cancelled	2,981	-	2,981	100	%
Other income-receipt of unclaimed property	(17,913)	-	(17,913)	-100	%
Provision for income taxes	102,753	89,562	13,191	15	%

Adjusted EBITDA	\$2,512,231	\$ 1,929,719	\$ 582,512	30	%
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Liquidity and Capital Resources

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. We had \$3,703,579 and \$3,317,020 cash and cash equivalents as of December 31, 2016 and December 31, 2015, respectively. The working capital was \$5,268,654 and \$3,878,996 for the periods ended December 31, 2016 and December 31, 2015, respectively. We had assets at December 31, 2016 of \$9,911,989 compared to \$7,270,007 at December 31, 2015.

Net cash provided by operating activities was \$1,754,880 compared to \$1,742,841 for the years ended December 31, 2016 and December 31, 2015. The increase was primarily a result of an increase in net income and non-cash related items, partially offset by an increase in accounts receivables, inventory and prepaid expenses and a reduction in accounts payable.

Net cash used in investing activities was \$830,334 and \$332,953 for the years ended December 31, 2016 and December 31, 2015, respectively. The increase was primarily a result of an investment in MREC, purchases of property and equipment and other assets.

Net cash used in financing activities was \$537,987 and \$5,597 for the years ended December 31, 2016 and 2015, respectively. The increase was primarily a result of an increase in repurchases of stock-based options, partially offset by proceeds from exercises of common stock options.

Our cash and cash equivalents at December 31, 2016 totaled \$3,703,579, an increase of \$386,559 over our balance at December 31, 2015. In addition, we had working capital of \$5,268,654, an increase of \$1,389,658 over the amount as of December 31, 2015. The amount of cash and cash equivalents and working capital at December 31, 2016 along with expected net cash provided by operating activities is believed sufficient to meet our current operating cash needs over the next twelve months from the filing of this Offering Circular. We do not expect a significant change to our plan of operations or the number of employees.

Cash Requirements

Our management believes that our current capital resources will be adequate to continue operating our company and maintaining our current business strategy for more than 12 months from the filing of this Offering Circular. We are, however, seeking to raise additional funds to expand our product and services offered, to enhance our sales and marketing efforts and effectiveness, and to aggressively take advantage of market opportunities. There can be no assurance, however, that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, if and when it is needed, we will be forced to scale down our plans for expanded marketing and sales efforts.

Critical Accounting Policies

We have identified the following policies below as critical to our business and results of operations. Our reported results are impacted by the application of the following accounting policies, certain of which require management to

make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. For all of these policies, management cautions that future events rarely develop exactly as expected, and the best estimates routinely require adjustment. Specific risks associated with these critical accounting policies are described in the following paragraphs.

Basis of Presentation and Use of Estimates

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

Fair Value of Financial Instruments

The fair value of financial instruments approximates their carrying values at December 31, 2016 and 2015 due to their short maturities. These financial instruments consist of cash and cash equivalents, accounts receivable, investment in MREC, accounts payable, and accrued liabilities.

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

We recognize an allowance for losses on accounts receivable based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. Accounts receivable are charged off after all reasonable collection efforts have been taken. As of December 31, 2016 and 2015, we maintained an allowance for doubtful accounts of \$20,000 and \$59,266, respectively.

Inventories

Inventories are stated at the lower of cost or market with cost being determined on the average cost method. Work in progress and finished goods inventory includes an allocation for capitalized labor and overhead. The Company routinely evaluates the carrying value of inventory and provides reserves when appropriate to reduce inventory to the lower of cost or market to reflect estimated net realizable value. As of December 31, 2016, management has determined that it was necessary to record a reserve of \$17,282. There was no inventory reserve recorded for the year ended December 31, 2015.

Investments in Other Companies

Minority investments in other companies are accounted for under the cost method of accounting because we do not have the ability to exercise significant influence over the companies' operations. Under the cost method of accounting, investments in private companies are carried at cost and are only adjusted for other-than-temporary declines in fair value and distribution of earnings.

Management regularly evaluates the recoverability of its investment based on the investee company's performance and financial position. During the years ended December 31, 2016 and 2015, we did not recognize any losses due to other-than-temporary declines of the value of the investments. In addition, management regularly assesses the classification of its investments.

Property and Equipment

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

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

Revenue Recognition and Deferred Revenue

Net revenues include sales of products and services and are net of discounts. Product sales consist of simulators, upgrade components, scenarios, scenario software, recoil kits, Threat-Fire® and other accessories. Services include installation, training, limited warranties, service agreements and related support. Certain components of our sales include multiple elements comprising of both products and services. Our revenue recognition falls under ASC 605-25, *Multiple Element Arrangements*, with the delivery of the simulator and installation being two separate deliverables. Our delivery of the simulator and the installation has been assessed to qualify as separate units of accounting:

1. The simulator unit upon shipment or delivery and customer acceptance, depending on the shipping terms.
2. The installation upon completion and customer sign-off.

Additionally, we recognize revenue for these products and services when it is realized or realizable and earned. Revenue is considered realized and earned when: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred and/or services have been rendered; (iii) the price is fixed and determinable; and (iv) collection of the resulting receivable is reasonably assured. Shipping fees charged to customers are recorded as a component of net revenues. All sales and sales contracts, including international sales, have been denominated in US dollars.

Products

Revenue from the sale of products is recognized when title and risk of loss passes to the customer. Delivery is considered complete when products have been shipped to the customer and title and risk of loss has transferred to the customer. For customers other than United States governmental agencies, we generally require deposits in advance of shipment for customer sales orders. Customer deposits are recorded as a current liability under deferred revenue on the accompanying balance sheet and totaled \$51,334 and \$658,426 as of December 31, 2016 and 2015, respectively.

Services

Services include installation of product, separately priced extended limited warranties on parts and labor, and technical support. Revenue is recognized for service contracts as earned, which is generally upon completion of installation or, as it relates to the extended warranties, on a straight-line basis over the term of the contract. The Company does warranty its products from manufacturing defects on a limited basis for a period of one year after purchase, but also sells separately priced extended warranties for periods of up to four years after the ex