UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended July 31, 2017

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission file number 000-7642

PASSUR AEROSPACE, INC.

(Exact Name of Registrant as Specified in Its Charter)

New York	**11-2208938**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
One Landmark Square, Suite 1900, Stamford, Connecticut	**06901**
(Address of Principal Executive Office)	(Zip Code)

Registrant's telephone number, including area code: **(203) 622-4086**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes [X] No [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer **[ ]**	Accelerated filer **[ ]**
Non-accelerated filer **[ ]** (Do not check if a smaller reporting company)	Smaller reporting company **[X]**

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [ ] No [X]

There were 7,696,091 shares of the Registrant’s common stock with a par value of $0.01 per share outstanding as of September 1, 2017.

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PASSUR Aerospace, Inc. and Subsidiary

PART I: Financial Information

Item 1. Financial Statements

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Balance Sheets

	July 31, 2017 (unaudited)	October 31, 2016
Assets		
Current assets:		
Cash	$ 813,192	$ 1,523,655
Accounts receivable, net	603,458	1,073,498
Deferred tax assets, current	418,889	418,889
Prepaid expenses and other current assets	364,281	217,410
Total current assets	2,199,820	3,233,452
PASSUR Network, net	6,169,478	5,739,753
Capitalized software development costs, net	8,957,601	8,263,533
Property and equipment, net	1,004,926	1,187,158
Deferred tax assets, non-current	1,271,900	1,250,833
Other assets	186,046	208,755
Total assets	$ 19,789,771	$ 19,883,484
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 612,376	$ 356,387
Accrued expenses and other current liabilities	852,372	936,272
Deferred revenue, current portion	3,274,064	3,140,292
Total current liabilities	4,738,812	4,432,951
Deferred revenue, long term portion	489,746	423,346
Note payable - related party	2,700,000	2,700,000
Total liabilities	7,928,558	7,556,297
Commitments and contingencies		
Stockholders' equity:		
Preferred shares - authorized 5,000,000 shares, par value $0.01 per share; none issued or outstanding	-	-
Common shares - authorized 20,000,000 and 10,000,000 shares, respectively, par value $0.01 per share; issued 8,480,526 and 8,465,526 at July 31, 2017 and October 31, 2016	84,804	84,654
Additional paid-in capital	16,529,015	16,082,865
Accumulated deficit	(2,818,928)	(1,944,904)
	13,794,891	14,222,615
Treasury stock, at cost, 784,435 and 775,327 shares at July 31, 2017 and October 31, 2016	(1,933,678)	(1,895,428)
Total stockholders' equity	11,861,213	12,327,187
Total liabilities and stockholders' equity	$ 19,789,771	$ 19,883,484

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended July 31,	
	2017	**2016**
Revenues	$ 3,331,898	$ 3,827,108
Cost of expenses:		
Cost of revenues	1,489,703	1,647,033
Research and development expenses	186,352	231,742
Selling, general, and administrative expenses	2,107,303	1,585,989
	3,783,358	3,464,764
(Loss)/Income from operations	$ (451,460)	$ 362,344
Interest expense - related party	41,400	44,367
Other Loss	-	-
(Loss)/Income before income taxes	(492,860)	317,977
Provision for income taxes	86,500	136,677
Net (loss)/income	$ (579,360)	$ 181,300
Net (loss)/income per common share - basic	$ (0.08)	$ 0.02
Net (loss)/income per common share - diluted	$ (0.08)	$ 0.02
Weighted average number of common shares outstanding - basic	7,696,091	7,690,199
Weighted average number of common shares outstanding - diluted	7,696,091	7,751,483

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Operations

(Unaudited)

	Nine Months Ended July 31, 2017	Nine Months Ended July 31, 2016
Revenues	$ 10,371,235	$ 11,071,991
Cost of expenses:		
Cost of revenues	4,713,839	4,779,657
Research and development expenses	600,205	641,255
Selling, general, and administrative expenses	5,814,285	4,946,624
	11,128,329	10,367,536
(Loss)/Income from operations	$ (757,094)	$ 704,455
Interest expense - related party	122,850	141,933
Other Loss	5,221	-
(Loss)/Income before income taxes	(885,165)	562,522
(Benefit) provision for income taxes	(11,141)	234,512
Net (loss)/income	$ (874,024)	$ 328,010
Net (loss)/income per common share - basic	$ (0.11)	$ 0.04
Net (loss)/income per common share - diluted	$ (0.11)	$ 0.04
Weighted average number of common shares outstanding - basic	7,693,069	7,676,170
Weighted average number of common shares outstanding - diluted	7,693,069	7,725,333

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended July 31, 2017	Nine Months Ended July 31, 2016
Cash flows from operating activities		
Net (loss)/income	$ (874,024)	$ 328,010
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation and amortization	2,519,500	2,469,268
Provision for deferred taxes	(21,067)	222,882
Provision for doubtful accounts	161,344	18,236
Stock-based compensation	408,050	275,077
Changes in operating assets and liabilities:		
Accounts receivable	308,696	31,523
Prepaid expenses and other current assets	(185,974)	(283,158)
Other assets	22,710	16,409
Accounts payable	255,989	(400,463)
Accrued expenses and other current liabilities	(83,900)	144,837
Deferred revenue	200,171	1,091,158
Total adjustments	3,585,519	3,585,769
Net cash provided by operating activities	2,711,495	3,913,779
Cash flows from investing activities		
PASSUR Network	(1,023,608)	(597,894)
Software development costs	(2,144,555)	(1,898,521)
Property and equipment	(253,795)	(315,447)
Net cash used in investing activities	(3,421,958)	(2,811,862)
Cash flows from financing activities		
Payment of notes payable-related party	-	(800,000)
Proceeds from exercise of stock options	-	18,220
Net cash used in financing activities	-	(781,780)
Increase in cash	(710,463)	320,137
Cash - beginning of period	1,523,655	925,508
Cash - end of period	$ 813,192	$ 1,245,645
Supplemental cash flow information		
Cash paid during the period for:		
Interest - related party	$ 122,850	$ 141,933
Income taxes	$ 71,196	$ 60,799
Non-cash financing activities - purchase of treasury stock	$ 38,250	$ -
Non-cash financing activities - proceeds from exercise of stock options	$ 38,250	$ -

See accompanying notes to consolidated financial statements.

1. Nature of Business

PASSUR Aerospace, Inc. ("PASSUR" or the "Company"), a New York corporation founded in 1967, is a leading business intelligence company, providing predictive analytics and decision support technology for the aviation industry primarily to improve the operational performance and cash flow of airlines and the airports where they operate. The Company is recognized as a leader in airline and airport operational efficiency and business aviation marketing and operational solutions. PASSUR is a pioneer in the successful use of big data, with an aviation intelligence platform and suite of web-based solutions that address the aviation industry's most intractable and costly challenges, including underutilization of airspace and airport capacity, delays, cancellations, and diversions. The Company's technology platform is supported by its Aviation Intelligence Center of Excellence, a team of subject matter experts with extensive experience in airline, airport, and business aviation operations, finance, air traffic management, systems automation, and data visualization, with specific expertise in the operational and business needs, requirements, objectives, and constraints of the aviation industry.

PASSUR's mission is to improve global air traffic efficiencies by connecting the world's aviation professionals onto a single aviation intelligence platform, making PASSUR an essential element in addressing the aviation industries system-wide inefficiencies. We are an aviation intelligence company that makes air travel more predictable, gate-to-gate, by using predictive analytics generated from our own big data – to mitigate constraints for airlines and their customers.

PASSUR's information solutions are used by the largest five North American airlines, more than 60 airport customers, including 22 of the top 30 North American airports (with PASSUR solutions also used at the remaining eight airports by one or more airline customers), hundreds of corporate aviation customers, and the U.S. government.

PASSUR provides data aggregation and consolidation, information, decision support, predictive analytics, collaborative solutions, and professional services. To enable this unique offering, PASSUR owns and operates the largest commercial passive radar network in the world that updates flight tracks every 1 to 4.6 seconds, powering a proprietary database that is accessible in real-time and delivers timely, accurate information and solutions via PASSUR's industry-leading algorithms and business logic included in its products.

Solutions offered by PASSUR help to ensure flight completion, covering the entire flight life cycle, from gate to gate, and result in reductions in overall costs and carbon emissions, while maximizing revenue opportunities, as well as improving operational efficiency and enhancing the passenger experience.

PASSUR's commercial solutions give aviation operators the ability to optimize performance in today's air traffic management system, while also achieving Next Generation Air Transportation System ("NextGen") objectives.

PASSUR integrates data from multiple sources, including its independent network of over 180 surveillance sensors installed throughout North America creating coast to coast coverage, as well as locations in Europe and Asia; government data; customer data; and data from third party partners. PASSUR's sensors receive aircraft and drone signals in Mode A, C, S, and Automatic Dependent Surveillance-Broadcast ("ADS-B"), providing position, altitude, beacon code, and tail number, among other information. PASSUR receives signals from aircraft that, when combined with its historical database of aircraft and airport behavior, including information recorded by its network over the last 10 years, allows the Company to know more about what has happened historically and what is happening in real-time. In addition, the historical database allows the Company to predict how aircraft, the airspace, and airports are going to perform, and more importantly, how the aircraft, the airspace, and airports should perform.

2. Basis of Presentation and Significant Accounting Policies

The consolidated financial information contained in this quarterly report on Form 10-Q represents interim condensed financial data and, therefore, does not include all footnote disclosures required to be included in financial statements prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). Such footnote information was included in the Company's Annual Report on Form 10-K for the year ended October 31, 2016, filed with the Securities and Exchange Commission (“SEC”); the consolidated financial data included herein should be read in conjunction with that report. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the Company’s consolidated financial position as of July 31, 2017, and its consolidated results of operations for the three and nine months ended July 31, 2017, and 2016.

The results of operations for the interim period stated above are not necessarily indicative of the results of operations to be recorded for the full fiscal year ended October 31, 2017.

Certain financial information in the footnotes has been rounded to the nearest thousand for presentation purposes.

Principles of Consolidation

The consolidated financial statements include the accounts of PASSUR and its wholly-owned subsidiary. All significant inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the financial statements is in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company’s significant estimates include those related to revenue recognition, stock-based compensation, software development costs, the PASSUR Network and income taxes. Actual results could differ from those estimates.

Revenue Recognition Policy

The Company recognizes revenue in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605-15, “Revenue Recognition in Financial Statements” (“ASC 605-15”), which requires that four basic criteria must be met before revenues can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured.

The Company’s revenues are generated by selling: (1) subscription-based, real-time decision and solution information and (2) professional services.

Revenues generated from subscription agreements are recognized over the term of such executed agreements and/or the customer’s receipt of such data or services. In accordance with ASC 605-15, the Company recognizes revenue when persuasive evidence of an arrangement exists which is evidenced by a signed agreement, the service has been deployed, as applicable, to its hosted servers, the fee is fixed or determinable, and collection of the resulting receivable is reasonably assured. The Company records revenues pursuant to individual contracts on a month-by-month basis, as outlined by the applicable agreement. In many cases, the Company may invoice respective customers in advance of the specified period, either quarterly or annually, which coincides with the terms of the agreement. In such cases the Company will defer at the close of each month and/or reporting period any subscription revenues invoiced for which services have yet to be rendered, in accordance with ASC 605-15. Revenues generated by professional services are recognized when services are provided.

The individual offerings that are included in arrangements with the Company’s customers are identified and priced separately to the customer based upon the relative fair value for each individual element sold in the arrangement irrespective of the combination of products and services which are included in a particular arrangement. As such, the units of accounting are based on each individual element sold, and revenue is allocated to each element based on selling price. Selling price is determined using vendor-specific objective evidence ("VSOE") if available, third-party evidence ("TPE") if VSOE is not available, or best estimate of selling price ("BESP") if neither VSOE or TPE is available. BESP must be determined in a manner that is consistent with that used to determine the price to sell the specific elements on a standalone basis. BESP is established considering multiple factors including, but not limited to, pricing practices with different classes of customers, geographies and other factors contemplated in negotiating the arrangement with the customer. The Company uses either VSOE or BESP.

From time to time, the Company will enter into an agreement with a customer to receive a one-time fee for rights including, but not limited to, the rights to use certain data at an agreed upon location(s) for a specific use and/or for an unlimited number of users, covering installation costs associated with the deployment of additions of the Company owned PASSUR Network, and/or set-up fees associated with new deployments of the Company software solutions. These fees are recognized as revenue ratably over the term of the agreement or relationship period of such arrangement, whichever is longer, but typically over five years.

Deferred revenue is classified on the Company's balance sheet as a liability until such time as revenue from services is properly recognized as revenue in accordance with ASC 605-15 and the corresponding agreement.

Cost of Revenues

Costs associated with subscription and maintenance revenues consist primarily of direct labor, depreciation of PASSUR and Surface Multilateration ("SMLAT") Network Systems, amortization of capitalized software development costs, communication costs, data feeds, allocated overhead costs, travel and entertainment, and consulting fees. Also, included in Cost of Revenues are costs associated with upgrades to PASSUR and SMLAT Systems necessary to make such systems compatible with new software applications, as well as the ordinary repair and maintenance of existing PASSUR and SMLAT Systems. Additionally, cost of revenues in each reporting period is impacted by: (1) the number of PASSUR and SMLAT Systems added to the PASSUR Network, which includes the cost of production, shipment, and installation of these assets, which are capitalized to the PASSUR Network; and (2) new capitalized costs associated with software development projects. Both of these are referred to as "Capitalized Assets" and are depreciated and/or amortized over their respective useful lives and charged to cost of revenues.

Income Taxes

The Company calculates its income tax provision during interim reporting periods by applying an estimate of its annual effective tax rate to year-to-date pre-tax income or loss. The Company's provision for income taxes consists of federal and state taxes, as applicable, in amounts necessary to align the Company's year-to-date income tax provision with the annual effective tax rate that it expects to achieve for the full year.

The Company's projected annual effective tax rate of 23.72% (excluding discrete items) is lower than the federal statutory rate of 34% primarily related to nondeductible permanent differences, including stock based compensation for Incentive Stock Options. For the three and nine months ended July 31, 2017, the Company recorded an income tax expense of approximately $87,000 and an income tax benefit of approximately $11,000, respectively. Included in the Company's provision for income taxes for the nine months ended July 31, 2017, is a discrete tax provision of approximately $198,000 related to the Company adjusting its deferred tax asset relating to net operating losses in various state jurisdictions.

Accounts Receivable

The Company has a history of successfully collecting all amounts due from its customers under the original terms of its subscription agreements without making concessions. The Company records accounts receivables for agreements where amounts due from customers are contractually required and are non-refundable. The carrying amount of accounts receivables is reduced by a valuation allowance that reflects the Company's best estimate of the amounts that will not be collected. Net accounts receivable is comprised of the monthly, quarterly, or annual committed amounts due from customers pursuant to the terms of each respective customer's agreement. Account receivable balances include amounts attributable to deferred revenues.

The provision for doubtful accounts was $166,000 and $26,000 as of July 31, 2017, and October 31, 2016, respectively. In addition to reviewing delinquent accounts receivable, the Company considers many factors in estimating its reserve, including historical data, experience, customer types, credit worthiness, and economic trends. The Company monitors its outstanding accounts receivable balances and believes its provision is reasonable.

PASSUR Network

The PASSUR Network is comprised of PASSUR and SMLAT Systems, which include the direct and indirect production, shipping, and installation costs incurred for each PASSUR and SMLAT System, which are recorded at cost, net of accumulated depreciation. The Company capitalized $312,000 and $866,000, of PASSUR Network costs, for the three and nine months ended July 31, 2017, respectively. These amounts exclude $87,000 and $158,000 of inventory purchases related to the PASSUR Network for the three and nine months ended July 31, 2017, respectively. For the three and nine months ended July 31, 2016, the Company capitalized $174,000 and $512,000, of PASSUR Network costs, respectively. These amounts exclude $31,000 and $86,000 of inventory purchases related to the PASSUR Network for the three and nine months ended July 31, 2016, respectively. Depreciation is charged to cost of revenues and is recorded using the straight-line method over the estimated useful life of the asset, which is estimated at five years for SMLAT Systems and seven years for PASSUR Systems. The Company depreciated $176,000 and $594,000, of PASSUR Network costs, for the three and nine months ended July 31, 2017. For the three and nine months ended July 31, 2016, the Company depreciated $249,000 and $701,000 of PASSUR Network costs, respectively.

The net carrying balance of the PASSUR Network as of July 31, 2017, and October 31, 2016, was $6,169,000 and $5,740,000, respectively. Included in the net carrying balance as of July 31, 2017, were parts and finished goods for PASSUR and SMLAT Systems totaling $871,000 and $1,612,000, respectively, which have not yet been installed. As of October 31, 2016, $999,900 and $1,767,000 of parts and finished goods for PASSUR and SMLAT systems, respectively, were included in the net carrying balance of the PASSUR Network. PASSUR and SMLAT Systems which are not installed are carried at cost and not depreciated until installed.

Capitalized Software Development Costs

The Company follows the provisions of ASC 350-40, "Internal Use Software." ASC 350-40 provides guidance for determining whether computer software is internal-use software, and on accounting for the proceeds of computer software originally developed or obtained for internal use and then subsequently sold to the public. It also provides guidance on capitalization of the costs incurred for computer software developed or obtained for internal use. The Company expenses all costs incurred during the preliminary project stage of its development, and capitalizes the costs incurred during the application development stage. Costs incurred relating to upgrades and enhancements to the software are capitalized if it is determined that these upgrades or enhancements add additional functionality to the software. Costs incurred to improve and support products after they become available are charged to expense as incurred. The Company capitalized $817,000 and $2,145,000 for the three and nine months ended July 31, 2017, respectively. For the three and nine months ended July 31, 2016, the Company capitalized $579,000 and $1,899,000, respectively. The Company amortized $476,000 and $1,450,000 of capitalized software development costs for the three and nine months ended July 31, 2017, respectively and $469,000 and $1,360,000 for the three and nine months ended July 31, 2016, respectively. The Company records amortization of the software on a straight-line basis over the estimated useful life of the software, typically over five years within "Cost of Revenues".

Long-Lived Assets

The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized to the extent the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. Assets to be disposed of are carried at the lower of their carrying value or fair value, less costs to sell. The Company evaluates the periods of amortization continually in determining whether later events and circumstances warrant revised estimates of useful lives. If estimates are changed, the unamortized costs will be allocated to the increased or decreased number of remaining periods in the asset's revised life.

Deferred Tax Asset

As of July 31, 2017, the Company has determined that its net deferred tax assets of approximately $1,691,000 are realizable on a more-likely-than-not basis. Each reporting period, the Company assesses the realizability of its deferred tax assets to determine if it is more-likely-than-not that some portion, or all, of the deferred tax asset will be realized. The Company considered all available positive and negative evidence including the reversal of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operating results. The ultimate realization of a deferred tax asset is ultimately dependent on sufficient taxable income within the available carryback and/or carryforward periods to utilize the deductible temporary differences. Based on the weight of available evidence including recent financial operating results, the Company determined that a valuation allowance is not required.

As of October 31, 2016, the Company had a federal net operating loss carry-forward of $6,180,000 available for income tax purposes which will expire in various tax years from fiscal year 2022 through fiscal year 2030. Included in the federal net operating loss of $6,180,000 is approximately $1,498,000 in connection with tax deductions for equity compensation that are greater than the compensation recognized for financial reporting purposes. Such amount is not included in the Company's net deferred tax assets.

Deferred Revenue

Deferred revenue includes amounts attributable to advances received or billings related to customer agreements, which are contractually required and are non-refundable, and may be prepaid either annually, quarterly, or monthly. Deferred revenues from such customer agreements are recognized as revenue ratably over the period that coincides with the respective agreement.

The Company recognizes initial set-up fee revenues and associated costs on a straight-line basis over the estimated life of the customer relationship period, typically five years.

Fair Value of Financial Instruments

The recorded amounts of the Company's cash, receivables, accounts payable, and accrued liabilities approximate their fair values principally because of the short-term nature of these items. The fair value of related party debt is not practicable to determine due primarily to the fact that the Company's related party debt is held by its Chairman and significant stockholder, and the Company does not have any third-party debt with which to compare.

Additionally, on a recurring basis, the Company uses fair value measures when analyzing asset impairments. Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present, and the review indicates that the assets will not be fully recoverable based on the undiscounted estimated future cash flows expected to result from the use of the assets, their carrying values are reduced to estimated fair value.

Net Income per Share Information

Basic net income per share is computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed similarly to basic earnings per share, except that it reflects the effect of common shares issuable upon exercise of stock options, using the treasury stock method in periods in which they have a dilutive effect. The Company's 2009 Stock Incentive Plan allows for a cashless exercise. Shares used to calculate net income per share are as follows:

	For the three months ended July 31,		For the nine months ended July 31,	
	2017	2016	**2017**	2016
Basic Weighted average shares outstanding	**7,696,091**	7,690,199	**7,693,069**	7,676,170
Effect of dilutive stock options	**-**	61,284	**-**	49,163
Dilted weighted average shares outstanding	**7,696,091**	7,751,483	**7,693,069**	7,725,333
Weighted average shares which are not included in the calculation of diluted net income per share because their impact is anti-dilutive. These shares consist of stock options.	**1,454,000**	917,500	**1,454,000**	991,500

Stock-Based Compensation

The Company follows FASB ASC 718, "Compensation-Stock Compensation," which requires the measurement of compensation cost for all stock-based awards at fair value on the date of grant, and recognition of stock-based compensation expense over the service period for awards expected to vest. The fair value of stock options was determined using the Black-Scholes valuation model. Such fair value is recognized as an expense over the service period, net of forfeitures. Stock-based compensation expense was $153,000 and $408,000 for the three and nine months ended July 31, 2017, respectively. For the three and nine months ended July 31, 2016, stock-based compensation was $113,000 and $275,000, respectively. Stock-based compensation is primarily included in selling, general, and administrative expenses.

Stockholders' Equity

During the second quarter of fiscal year 2017, the Company issued 5,892 shares of common stock, through a cashless exercise of employee stock options. In connection with the cashless exercise, the Company received 9,108 shares of common stock at fair value of $38,250. The shares of common stock the Company received in connection with the cashless exercise, have been included within the Company's Treasury Stock account as of April 30, 2017.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASU 2014-09"), to supersede nearly all-existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services, ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new standard is effective for the annual period beginning after December 15, 2017, including interim reporting periods within that period, which for the Company will be the annual period ending October 31, 2019. Early application as of January 1, 2017, is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its financial reporting.

In November 2015, the FASB issued new guidance which requires an entity to classify deferred tax liabilities and assets, along with any related valuation allowance, as non-current in its consolidated balance sheet. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, which for the Company will be the annual period ending October 31, 2018. Early adoption, including adoption in an interim period, is permitted. The Company has not yet adopted this guidance and currently does not expect the adoption of the new guidance by the Company to have a significant impact on the Company's financial results.

In February 2016, the FASB issued ASU 2016-02, which amends the ASC and creates Topic 842, Leases. Topic 842 will require lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP on the balance sheet. This guidance is effective for annual periods beginning after December 15, 2018, which for the Company will be the annual period ending October 31, 2020, and early adoption is permitted. The Company does not believe this new accounting standard update will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued new guidance on accounting for employee share-based payment awards to simplify the accounting related to several aspects of accounting for share-based payment transactions, including income tax consequences of share-based payment transactions, classification of awards as either equity or liabilities, forfeitures, and classification on the statement of cash flows. The new standard is effective for the annual period beginning after December 15, 2016, including interim reporting periods within that period, which for the Company will be the annual period ending October 31, 2018. Early adoption, including adoption in an interim period, is permitted. The standard requires the use of several transition methods including a modified retrospective transition method, retrospective method, and prospective method. The Company is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU No 2017-09, "Compensation—Stock Compensation: Topic 718" — Scope of Modification Accounting, to clarify when to account for a change in the terms or conditions of a share-based payment award as a modification. Under the new standard, modification is required only if the fair value, the vesting conditions, or the classification of an award as equity or liability changes as a result of the change in terms or conditions. ASU 2017-09 will be effective for the Company beginning November 1, 2018, and will be applied prospectively. Early adoption is permitted. The Company is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures.

3. Notes Payable – Related Party

The Company has a note payable to G.S. Beckwith Gilbert, the Company's Chairman and significant stockholder, of $2,700,000 (the "Third Replacement Note") as of July 31, 2017. The Third Replacement Note bears a maturity date of November 1, 2018, with an annual interest rate of 6%. Interest payments are due by October 31 of each fiscal year. The Company has paid all interest incurred on the Third Replacement Note through July 31, 2017, totaling $122,850.

On August 31, 2017, Mr. Gilbert loaned the Company an additional $500,000 to primarily fund the Company's near-term investment strategy to enhance the Company's technology platform, in the form of software development personnel, third-party contractors, and PASSUR Network infrastructure support. As of September 11, 2017, the loan balance totaled $3,200,000. The Company anticipates that Mr. Gilbert may provide additional funding through the remainder of fiscal-year 2017 as part of the Company's near-term investment strategy as discussed above. The notes are secured by the Company's assets.

The Company believes that its liquidity is adequate to meet operating and investment requirements for the next twelve months.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The information provided in this Quarterly Report on Form 10-Q (including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Liquidity and Capital Resources" below) contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the Company's future plans, objectives, and expected performance. The words "believe," "may," "will," "could," "should," "would," "anticipate," "estimate," "expect," "project," "intend," "objective," "seek," "strive," "might," "likely result," "build," "grow," "plan," "goal," "expand," "position," or similar words, or the negatives of these words, or similar terminology, identify forward-looking statements. These statements are based on assumptions that the Company believes are reasonable, but are subject to a wide range of risks and uncertainties, and a number of factors could cause the Company's actual results to differ materially from those expressed in the forward-looking statements referred to above. These factors include, without limitation, the risks and uncertainties discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," the uncertainties related to the ability of the Company to sell its existing product and professional service lines, as well as its new products and professional services (due to potential competitive pressure from other companies or other products), as well as the potential for terrorist attacks, changes in fuel costs, airline bankruptcies and consolidations, economic conditions, and other risks detailed in the Company's periodic report filings with the SEC. Other uncertainties which could impact the Company include, without limitation, uncertainties with respect to future changes in governmental regulation and the impact that such changes in regulation will have on the Company's business. Additional uncertainties include, without limitation, uncertainties relating to: (1) the Company's ability to find and maintain the personnel necessary to sell, manufacture, and service its products; (2) its ability to adequately protect its intellectual property; and (3) its ability to secure future financing. Readers are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made and which reflect management's analysis, judgments, belief, or expectation only as of such date. The Company undertakes no obligation to publicly update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Description of Business

The Company provides data aggregation and consolidation, information, decision support, predictive analytics, collaborative solutions, and professional services to airlines, airports, governments, and business aviation companies. To enable this unique offering, PASSUR owns and operates the largest commercial passive radar network in the world that updates flight tracks every 1 to 4.6 seconds, powering a proprietary database that is accessible in real-time and delivers timely, accurate information and solutions via PASSUR's industry-leading algorithms and business logic included in its products.

PASSUR's information solutions are used by the largest five North American airlines, more than 60 airport customers, including 22 of the top 30 North American airports (with PASSUR solutions also used at the remaining top eight airports by one or more airline customers), hundreds of corporate aviation customers, and the U.S. government.

Our core business addresses some of the aviation's most intractable and costly operational and financial challenges, including underutilization of airspace and airport capacity, delays, cancellations, and diversions. Several studies have estimated the annual direct costs to the system of such inefficiencies at over $30 billion.

Solutions offered by PASSUR help to ensure flight completion. They cover the entire flight life cycle, from gate to gate, and result in reductions in overall costs and emissions, while maximizing revenue opportunities, improving operational efficiency, and enhancing the passenger experience.

For the three months ended July 31, 2017, total revenue decreased 13% to $3,332,000, compared with $3,827,000 for the same period in fiscal year 2016. Loss from operations for the three months ended July 31, 2017, was $451,000 compared with income from operations of $362,000 for the same period in fiscal year 2016. For the three months ended July 31, 2017, net loss was $579,000 or $0.08 per diluted share, compared with net income of $181,000 or $0.02 per diluted share, in the same period in fiscal year 2016.

The revenue decrease for the three months ended July 31, 2017, was primarily due to the non-renewal of a contract from a customer, which was previously disclosed. The Company believes the lost revenue from this contract will be offset by the anticipated revenues from new contracts to be closed during fiscal year 2017 on an annualized run-rate basis. The increase in our operating expenses was due primarily to the Company continuing to invest in its development, sales and management professionals to more aggressively pursue revenue opportunities in the market and to build and implement solutions sought by its customers. As an example of our continued investments, we announced during the quarter that we are partnering with GE Aviation Digital Solutions ("GE") to leverage GE's domain expertise in software development. We believe this investment will ultimately lead to new transformative capabilities for our customers, and shape the vision and future of our integrated suite of solutions.

The Company's business plan is to continue to focus on increasing subscription-based revenues from its suite of software applications, and to develop new applications and professional services designed to address the needs of the aviation industry and the U.S. government. The Company's goal is to help solve problems faced by its customers and is built on the following product development objectives: (1) continue developing decision support solutions built on business intelligence, predictive analytics, and web-dashboard technology; (2) continue integrating multiple additional industry data sets into its integrated aviation database, including data from a variety of additional aircraft, airspace, and ground surveillance technologies, in order to ensure that PASSUR is the primary choice for data integration and management for large aviation organizations; (3) continue extending the reach of the PASSUR Network, which provides the proprietary backbone for many of the Company's solutions; and (4) continue developing the Company's professional service capabilities, in order to ensure that its solutions can be fully implemented in its customers' work environments, with minimal demand on customers' internal resources.

Results of Operations

Revenues

Management concentrates its efforts on the sale of business intelligence, predictive analytics, and decision support product applications, utilizing data primarily derived from the PASSUR Network. Such efforts include the continued development of existing products, new product offerings and to a lesser extent, professional services.

Revenues decreased $495,000 or 13% to $3,332,000 for the three months ended July 31, 2017, as compared with the same period in fiscal year 2016. For the nine months ended July 31, 2017, revenues decreased $701,000 or 6%, to $10,371,000, as compared with the same period in fiscal year 2016. The revenue decrease for both the three and nine months ended July 31, 2017, was primarily due to the non-renewal of a contract from a customer, as previously disclosed, which was partially offset by revenue from new contracts closed in fiscal year 2016 and fiscal year 2017. The Company believes the lost revenue from this contract will be offset by the anticipated revenues from new contracts to be closed during fiscal year 2017 on an annualized run-rate basis. Subscriptions to the Company's suite of software applications and services for the three and nine months ended July 31, 2017, decreased by $338,000, or 9% and $244,000 or 2%, compared to the same period in 2016. The Company had consulting and license fee revenue of $38,000 and $119,000 for the three and nine months ended July 31, 2017, as compared to $177,000 and $528,000 for the same period in 2016. The Company continues to enhance its wide selection of products and develop and deploy new software applications and solutions to better address customers' needs, all of which are easily delivered through web-based applications or as stand-alone professional services.

Cost of Revenues

Costs associated with subscription and maintenance revenues consist primarily of direct labor, depreciation of PASSUR and Surface Multilateration (“SMLAT”) Network Systems, amortization of capitalized software development costs, communication costs, data feeds, allocated overhead costs, travel and entertainment, and consulting fees. Also included in Cost of Revenues are costs associated with upgrades to PASSUR and SMLAT Systems necessary to make such systems compatible with new software applications, as well as the ordinary repair and maintenance of existing PASSUR and SMLAT Systems. Additionally, cost of revenues in each reporting period is impacted by: (1) the number of PASSUR and SMLAT System units added to the PASSUR Network, which includes the production, shipment, and installation of these assets, which are capitalized to the PASSUR Network; and (2) capitalized costs associated with software development and data center projects. Both of these are referred to as “Capitalized Assets,” and are depreciated and/or amortized over their respective useful lives and charged to cost of revenues. The Company does not break down its costs by product.

Cost of revenues decreased $157,000, or 10%, to $1,490,000 for the three months ended July 31, 2017, as compared with the same period in fiscal year 2016. Cost of revenues decreased $66,000 or 1%, to $4,714,000 for the nine months ended July 31, 2017, as compared with the same period in fiscal year 2016. The decrease in cost of revenues for the three and nine months ended July 31, 2017, compared to the same periods in 2016, was primarily related to an increase in capitalized cost associated with our PASSUR Network installations and software development projects. The increase in capitalized cost was partially offset by an increase in personnel related costs which were not assigned to capitalized projects, as a result of the Company’s investment in additional personnel and an increase in the amortization of software development projects.

When the Company uses its employees to manufacture PASSUR and SMLAT Systems, build capital assets, and ship and install PASSUR and SMLAT Systems in the field, or for software development, there is a reduction in cost of revenues due to the fact that the labor-related costs for these systems are capitalized rather than expensed and amortized over 7 years for PASSUR or 5 years for SMLAT systems typically.

Research and Development

Research and development expenses decreased $45,000, or 20%, to $186,000, for the three months ended July 31, 2017, as compared to $232,000 for the three months ended July 31, 2016. Research and development expenses decreased $41,000 or 6%, to $600,000 for the nine months ended July 31, 2017, as compared to $641,000, for the nine months ended July 31, 2016. The decrease was primarily attributable to a decrease in personnel related costs, as compared with the prior year.

The Company’s research and development efforts include activities associated with new product development, as well as the enhancement and improvement of the Company's existing software and information products. The Company anticipates that it will continue to invest in research and development to develop, maintain, and support existing and newly developed applications for its customers.

Selling, General, and Administrative

Selling, general, and administrative expenses increased $521,000, or 33%, to $2,107,000 for the three months ended July 31, 2017, as compared to $1,586,000 for the three months ended July 31, 2016. The increase is due in part to an increase in personnel related costs associated with sales and marketing of approximately $249,000. Additionally, the Company recorded an accrual for approximately $159,000 to increase the bad debt reserve related to accounts receivable outstanding for which collections are uncertain. Stock-based compensation expense increased $44,000, due to the increase in stock awards granted during the three months ended July 31, 2017, as compared with the same period in 2016.

Selling, general, and administrative expenses increased $868,000 or 18%, to $5,814,000 for the nine months ended July 31, 2017, as compared to $4,947,000 for the nine months ended July 31, 2016. The increase is due in part to an increase in personnel related costs for sales and marketing of $551,000, which was offset by a decrease in general and administrative personnel related cost of $47,000. Additionally, the Company recorded an accrual for approximately $159,000to increase the bad debt reserve related to accounts receivable outstanding for which collections are uncertain. Finally, stock-based compensation expense increased approximately $137,000, for the nine-months ended July 31, 2017, as compared to the same period in 2016.

Income from Operations

Income from operations decreased $814,000, or 225%, for the three months ended July 31, 2017, as compared to the same period in fiscal year 2016. For the nine months ended July 31, 2017, income from operations decreased $1,462,000 or 207%, as compared to the same periods in fiscal year 2016. The decreases for the three and nine months ended July 31, 2017, were primarily due to (i) an increase in operating expenses of $319,000, or 9% and $761,000 or 7%, respectively; and (ii) a decrease in revenues of $495,00 or 13% and $701,000 or 6%, respectively. Overall, the increase in operating expenses for the three and nine-month periods ended July 31, 2017, was primarily due to our continued investments in hiring development, sales and marketing and management professionals to achieve our near-term and future revenue growth objectives.

Interest Expense – Related Party

Interest expense – related party decreased $3,000, or 7% and $19,000 or 13%, for the three and nine months ended July 31, 2017, as compared to the three and nine months ended July 31, 2016, due to the lower principal balance on the note.

Net (Loss)/Income

The Company had net loss of $579,000, or $0.08 per diluted share and $874,000 or $0.11 per diluted share, for the three and nine months ended July 31, 2017, as compared to net income of $181,000, or $0.02 per diluted share and $328,000 or $0.04 per diluted share, for the three and nine months ended July 31, 2016. Included in the net loss for the nine months ended July 31, 2017, is a discrete tax provision of approximately $198,000 related to the Company adjusting its deferred tax asset relating to net operating losses in various state jurisdictions.

Liquidity and Capital Resources

The Company's current assets exceeded its current liabilities, excluding deferred revenue, by $735,000 as of July 31, 2017. The note payable to a related party, G.S. Beckwith Gilbert, the Company's Chairman and significant stockholder, was $2,700,000 as of July 31, 2017, and October 31, 2016, with a maturity of November 1, 2018. On August 31, 2017, Mr. Gilbert loaned the Company an additional $500,000. As of September 11, 2017, the loan balance totaled $3,200,000.

The Company's stockholders' equity was $11,861,000 as of July 31, 2017.

On January 6, 2017, the Company entered into a Third Debt Extension Agreement with G.S. Beckwith Gilbert, the Company's Chairman and significant stockholder, effective January 6, 2017, pursuant to which the Company and Mr. Gilbert agreed to modify certain terms and conditions of the existing debt agreement with Mr. Gilbert (the "Existing Gilbert Note"). The maturity date of the Existing Gilbert Note was due on November 1, 2017, and the total amount of principal and interest due and owing as of January 6, 2017, was $2,730,000. Pursuant to the Third Debt Extension Agreement, the Company issued a new note to Mr. Gilbert in the principal amount of $2,700,000 (the "Third Replacement Note") in exchange for the Existing Gilbert Note and the Company agreed to pay the accrued interest under the Existing Gilbert Note as of January 6, 2017, in an amount equal to $30,000, at the time and on the terms set forth in the Existing Gilbert Note. Under the terms of the Third Replacement Note, the maturity date was extended to November 1, 2018, and the annual interest rate remained at 6%. Interest payments under the Third Replacement Note shall be made annually on October 31st of each year. The note payable is secured by the Company's assets. The Company has paid all interest incurred on the Third Replacement Note through July 31, 2017, totaling $122,850. On August 31, 2017, Mr. Gilbert loaned the Company an additional $500,000 to primarily fund the Company's near-term investment strategy to enhance the Company's technology platform, in the form of software development personnel, third-party contractors, and PASSUR Network infrastructure support. As of September 11, 2017, the loan balance totaled $3,200,000. The Company anticipates that Mr. Gilbert may provide additional funding through the remainder of fiscal-year 2017 as part of the Company's near-term investment strategy as discussed above.

Management is addressing the Company's working capital deficiency by aggressively marketing the Company's PASSUR Network Systems information capabilities in its existing product and professional service lines, as well as in new products and professional services, which are continually being developed and deployed. Management believes that the continued development of its existing suite of software products and professional services, which address the wide array of needs of the aviation industry, will continue to lead to increased growth in the Company's customer-base and subscription-based revenues.

If the Company's business plan does not generate sufficient cash flows from operations to meet the Company's operating cash requirements, the Company will attempt to obtain external financing on commercially reasonable terms. The Company believes that its liquidity is adequate to meet operating and investment requirements for the next twelve months.

Net cash provided by operating activities was $2,711,000 for the nine months ended July 31, 2017, and consisted of a net loss of $874,000, depreciation and amortization of $2,520,000, and stock-based compensation expense of $408,000. Net cash used in investing activities was $3,422,000 for the nine months ended July 31, 2017, which was expended for capitalized software development costs, additions to the PASSUR Network, and additional computer equipment for our Bohemia, New York, and Orlando, Florida data centers. Net cash provided by financing activities was zero for the nine months ended July 31, 2017, which included the purchase of treasury stock of $38,000 and offset by the exercise of stock options of $38,000.

The Company actively monitors the costs associated with supporting the business and continually seeks to identify and reduce any unnecessary costs as part of its cost reduction initiatives, while strategically reinvesting back into the business as part of its long-term plans. Additionally, the aviation market has been impacted by budgetary constraints, airline bankruptcies and consolidations, current economic conditions, the continued war on terrorism, and fluctuations in fuel costs. The aviation market is extensively regulated by government agencies, particularly the Federal Aviation Administration and the National Transportation Safety Board, and management anticipates that new regulations relating to air travel may continue to be issued. Substantially all of the Company's revenues are derived from airlines, airports, and organizations that serve, or are served by, the aviation industry. Any new regulations or changes in the economic situation of the aviation industry could have an impact on the future operations of the Company, either positively or negatively.

Interest by potential customers in the information and decision support software products obtained from PASSUR Network Systems and its professional services remains strong. As a result, the Company believes that future revenues will continue to increase on an annualized basis. However, there are no guarantees that such annualized future revenue increases will occur. If revenues do not increase and the Company's cost-structure is not adjusted accordingly, losses may occur. The extent of such profits or losses will be dependent on sales volume achieved and the Company's ability to optimize its cost structures.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures of contingent assets and liabilities based upon accounting policies management has implemented. These significant accounting policies are disclosed in Note 1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, and there have been no material changes to such policies since the filing of such Annual Report. These policies and estimates are critical to the Company's business operations and the understanding of its results of operations. The impact and any associated risks related to these policies on the Company's business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2016, as such policies affect its reported financial results. The actual impact of these factors may differ under different assumptions or conditions.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASU 2014-09"), to supersede nearly all-existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services, ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new standard is effective for the annual period beginning after December 15, 2017, including interim reporting periods within that period, which for the Company will be the annual period ending October 31, 2019. Early application as of January 1, 2017, is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its financial reporting.

In November 2015, the FASB issued new guidance which requires an entity to classify deferred tax liabilities and assets, along with any related valuation allowance, as non-current in its consolidated balance sheet. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, which for the Company will be the annual period ending October 31, 2018. Early adoption, including adoption in an interim period, is permitted. The Company has not yet adopted this guidance and currently does not expect the adoption of the new guidance by the Company to have a significant impact on the Company's financial results.

In February 2016, the FASB issued ASU2016-02, which amends the ASC and creates Topic 842, Leases. Topic 842 will require lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous US GAAP on the balance sheet. This guidance is effective for annual periods beginning after December 15, 2018, which for the Company will be the annual period ending October 31, 2020, and early adoption is permitted. The Company does not believe this new accounting standard update will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued new guidance on accounting for employee share-based payment awards to simplify the accounting related to several aspects of accounting for share-based payment transactions, including income tax consequences of share-based payment transactions, classification of awards as either equity or liabilities, forfeitures, and classification on the statement of cash flows. The new standard is effective for the annual period beginning after December 15, 2016, including interim reporting periods within that period, which for the Company will be the annual period ending October 31, 2018. Early adoption, including adoption in an interim period, is permitted. The standard requires the use of several transition methods including a modified retrospective transition method, retrospective method, and prospective method. The Company is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU No 2017-09, "Compensation—Stock Compensation: Topic 718" — Scope of Modification Accounting, to clarify when to account for a change in the terms or conditions of a share-based payment award as a modification. Under the new standard, modification is required only if the fair value, the vesting conditions, or the classification of an award as equity or liability changes as a result of the change in terms or conditions. ASU 2017-09 will be effective for the Company beginning November 1, 2018, and will be applied prospectively. Early adoption is permitted. The Company is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, management carried out an evaluation, under the supervision, and with the participation of, the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules. The Company believes that a control system, no matter how well designed and operated, can provide only reasonable assurance, not absolute assurance, that the objectives of the control system are met. Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective at a reasonable assurance level as of July 31, 2017.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) within the fiscal quarter to which this report relates, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

The Company is not aware of any material pending legal proceedings to which the Company is a party or to which any of its properties are subject.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

31.1 *Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 *Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 *Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 *Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.ins* XBRL Instance

101.xsd* XBRL Schema

101.cal* XBRL Calculation

101.def* XBRL Definition

101.lab* XBRL Label

101.pre* XBRL Presentation

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PASSUR AEROSPACE, INC.

Dated: September 11, 2017	By:	/s/ James T. Barry
		James T. Barry President and Chief Executive Officer (Principal Executive Officer)
Dated: September 11, 2017	By:	/s/ Louis J. Petrucelly
		Louis J. Petrucelly Chief Financial Officer, Treasurer, and Secretary (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) or 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James T. Barry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PASSUR Aerospace, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2017

By: /s/ James T. Barry

James T. Barry
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) or 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Louis J. Petrucelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PASSUR Aerospace, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2017

By: /s/ Louis J. Petrucelly

Louis J. Petrucelly
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of PASSUR Aerospace, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended July 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James T. Barry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ James T. Barry

James T. Barry
Chief Executive Officer

September 11, 2017

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of PASSUR Aerospace, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended July 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Louis J. Petrucelly, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Louis J. Petrucelly

Louis J. Petrucelly
Chief Financial Officer

September 11, 2017