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

FORM 10-K

| X | Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended October 31, 2016

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 0-7642

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**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 per share

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes [ ] No [X]**

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. **Yes [ ] No [X]**

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 Website, 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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this Form 10-K. **[ ]**

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "accelerated filer and large accelerated filer" 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]**

The aggregate market value of the voting shares of the Registrant held by non-affiliates as of April 30, 2016, was $6,582,000
The number of shares of common stock, $0.01 par value, outstanding as of December 31, 2016, was 7,690,199

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for the 2017 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days of October 31, 2016, are incorporated by reference into Part III of this Form 10-K.

Forward Looking Statements

The consolidated financial information provided in this Annual Report on Form 10-K (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 in 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. Readers are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-Q and 8-K.

PART I

Item 1. 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, and 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, among others. Several independent studies have estimated the annual direct and indirect costs of such inefficiencies in the United States at over $30 billion annually. 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 tackling the $30 billion of 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, as well as 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 our historical database of aircraft and airport behavior, including information recorded by our 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 airport *should perform*.

PASSUR's Strategic Objectives

1. Increase airline cash flow and operational performance while growing PASSUR's revenue in core commercial markets.

2. Introduce products and solutions developed for the commercial markets to the government markets, creating a standard platform between the commercial and government customers, thereby providing immediate returns from the core commercial market while facilitating larger government programs and contracts.

3. Develop strategic relationships with major companies to broaden the reach of PASSUR products in the worldwide commercial and government customers.

4. Further build PASSUR's market share domestically and internationally.

5. Further expand the reach of PASSUR's innovative collaborative information sharing platform, which brings together local, regional, national, and international aviation stakeholders in real time to manage complex, expensive, and disruptive events.

6. Provide complete solutions that address increasingly larger aviation challenges – solutions that are often extensions of those products PASSUR is providing to customers today.

PASSUR Core Capabilities

Integrated Surveillance Network and Integrated Aviation Database

The Company operates what it believes to be the largest and most extensive private commercial aircraft, airport, and airspace passive surveillance networks in the world. The PASSUR Network integrates additional key surveillance sources, to include ADS-B, ASDE-X, Mode S, En Route Radar, Airline OOOI data, ACARS, fleet databases, as well as other sources. PASSUR also integrates extensive amounts of data from its customer's systems, such as airline on-board communications messages ("ACARS") and Airport Operational Databases ("AODB").

The PASSUR Network and database creates a direct data feed of critical flight and airspace behavior and conditions, an essential precursor resource for predictive analytics, real-time decision support, and performance analysis tools.

All the surveillance data acquired by the PASSUR Network is integrated and correlated into specialized databases to support predictive, real-time, and post operational requirements. PASSUR databases consolidate multiple overlapping data sets to ensure completeness, accuracy, fulfillment of specific operational requirements, and the normalization of data for a single-source authoritative record of operational performance. The data processed in these master data repositories supports the key capabilities and attributes of the PASSUR software.

Predictive Analytics

PASSUR decision support solutions are supported by predictive analytics algorithms, which use extensive historical data mining and pattern recognition, along with real-time surveillance data, to predict specific and detailed operating conditions. PASSUR predictive analytics are built on several core capabilities:

- Real-time surveillance from the PASSUR Network gives the necessary breadth and granularity of data to support detailed scenario building and pattern recognition. This includes "fast-time simulation" of the airport surface and terminal area operation, applying the necessary decisions and constraints that controllers will have to apply in managing the traffic, as well as addressing the highly nonlinear and non-stationary nature, of the airport operating environment.

- Detailed, granular data acquired by the PASSUR Network, supplemented by many other data sources collected within the integrated aviation database, is stored and correlated, providing the large sample sizes required to accurately model future performance based on past performance under similar or identical conditions.

- PASSUR is recognized by airlines as having the best flight predicted arrival time (Estimated Time of Arrival, "ETA") in the industry. More than ten independent airline studies have demonstrated the PASSUR predicted arrival time to be more accurate than any other source, including the airlines' own internally-generated ETAs. The Company believes that this greater accuracy translates directly into significant operational and financial benefits in areas such as completing connections (passengers and bags), reduced fuel consumption, more efficient staffing plans, and greater on-time schedule completion.

PASSUR *Integrated Traffic Management*

PASSUR Integrated Traffic Management ("PITM") is, in the Company's opinion, the industry's first fully integrated air traffic optimization suite. PITM is a metrics-focused, Key Performance Indicator ("KPI") driven solution suite allowing the customer to first view the most critical information for its operation, and then, as necessary, enabling the user to drill down for better visualization and analysis.

PITM helps airlines complete their mission, on time, by focusing on the major operational constraints such as diversions, arrival and departure flow congestion, and airport surface congestion – as well as major irregular operations like disruptive weather, construction closures, large public events, and emergency incidents. The platform connects multiple aviation stakeholders and missions onto one platform, providing a collaborative environment within and between organizations, to address decisions that can only be solved through the real-time exchange of information on a common operating platform. PITM is also a platform enabling PASSUR's partner companies to provide solutions which augment PASSUR capabilities to PASSUR's customers. PITM is fully web-delivered, allowing easy access from any web-enabled device.

Decision Support Dashboards, KPIs, and Management by Exception

Many PASSUR solutions are delivered in metrics-driven, dashboard format, simplifying and condensing extensive amounts of information into the most relevant operational and business metrics, thereby presenting those metrics in a manner that supports immediate performance assessment and actionable decisions. PASSUR solutions are designed so that users are alerted in real-time to specific conditions and recommended actions, especially during irregular operations, only when operations reach certain user-defined thresholds, thereby preventing information overload.

Collaborative Capabilities and Industrial Networks

Many PASSUR solutions include a collaborative layer which allows for instant information sharing and coordination of effort to a wide range of users in the aviation community. These include industrial networking capabilities, which leverage new technologies for business uses in the aviation sector, such as PASSUR's Airport Information Network, a single North American-wide site for real time airport conditions, diversion management, and delay mitigation used by hundreds of aviation professionals. Other PASSUR collaborative capabilities include pre-departure sequencing and/or metering, arrival sequencing, and tarmac delay management.

Aviation Intelligence Center of Excellence to Support Big Data

The Company's Aviation Intelligence Center of Excellence ("CoE") is 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.

These experts from the PASSUR CoE understand the National Airspace System ("NAS") and are able to translate these internal requirements and external conditions into information solutions that target specific, measurable problems with defined operational and financial performance metrics. These subject matter experts are complemented by a technical team of software engineers, data scientists, radar engineers, database architects, physicists, and statisticians who have years of expertise in managing complex surveillance networks (hardware and software), as well as interpreting and converting complex, live aviation data feeds into robust decision support software solutions.

Products and Services

The Company offers targeted solutions to help airlines complete missions on time:

Category	PASSUR solutions description	Key growth drivers
Traffic Flow Management	n Web dashboard that gives airlines, airports, and ANSPs the ability to analyze and act on airspace conditions predictively and in real-time. Helps to ensure the optimal flow of traffic into an airport in order to preserve schedule completion and reduce costs.	n Enhances airspace throughput and capacity.
	n Provides predictive analytics, alerts, and instant analysis and performance summaries to balance demand and capacity.	n Reduces impact of Traffic Management Initiatives ("TMI"), such as eliminating the need for ground delays or ground stops.
	n Drone Air Traffic Integration is a new service designed to help commercial drone operators become more informed, effective, and collaborative members of the NAS by integrating them into PASSUR's aviation intelligence platform, currently used by the main NAS stakeholders (airlines, airports, business aviation, and the FAA).	n TMI costs can exceed $160 million annually for just one airline at larger airports.
	n Primary customers: airlines, airports, government, and potentially large drone operators.	n One airline saved an estimated $12 million per year at just three airports through enhanced traffic flow management with PASSUR solutions.
		n Assist drone operators seamlessly integrate into the NAS.
Diversion Management	n Predictive analytics algorithms leverage extensive historical data mining and pattern recognition and live dynamic conditions to predict a range of operating conditions in advance, allowing airlines to choose the least costly plane to divert, cancel/consolidate flights, predict accurate hold times, or divert preemptively.	n Reduces the number and cost of unnecessary diversions.
	n Allows airlines to decrease the number of diversions they experience and optimize ones that are unavoidable, improving their profitability, passenger scores, and environmental footprint. Allows airports to be prepared for diversions, delays, and cancellations.	n Ensures aircraft divert to airports that can enable a faster return to original destination airport.
	n Primary customers: airlines, airports, and government.	n Diversions cost U.S. domestic airlines more than $400 million annually in direct costs, disrupting more than 1.6 million passengers.
		n PASSUR reduced one carrier's diversions by 11% that same year, which translates into $46 million in savings across the industry, or 170,000 fewer disrupted passengers.

Flight Predictability (ETAs and ETDs)	n An accurate ETA data feed optimizes all existing airline and airport processes and systems that depend on knowing when an airplane is going to arrive, without requiring expensive or disruptive internal changes. Predictive flight arrival and departure times built on multiple sources, including PASSUR's live and historical surveillance of the airspace.	n Benefits include completing connections (passengers, bags, and crew), reduced fuel consumption, more efficient staffing plans, greater on-time schedule completion, reduced gate holds, and helping airlines meet stricter "crew rest" regulations.
	n Provides accurate gate-to-gate ETA and Estimated Time of Departure ("ETD").	n Enables better overall planning and scheduling to maximize revenue opportunities.
	n Primary customers: airlines and airports.	n Missed connections alone at one airport can cost an airline in excess of $3 million per year.
		n One airline has reported a $15 million per year cost recovery since implementing the PASSUR ETA.
Surface Management	n PASSUR Surface Management helps to reduce extended tarmac delays and taxi-in/taxi-out times, prioritize high-value flights, and facilitate an efficient turn management process (transition of an aircraft from arrival to departure).	n Improves the efficiency of arrivals and departures, preserves schedule integrity, prioritizes high value flights, and reduces surface delays and fuel burn.
	n A suite of capabilities that combine air and ground surveillance data, visual tracking of aircraft in the airspace and on the airport surface, decision-support software, and key performance indicator dashboards.	n Reduces the possibility of tarmac delay fines, which can exceed $3 million per event.
	n PASSUR's new surface surveillance sensors allow airlines and airports to visualize parts of the airport otherwise not tracked and monitored.	n At one airport using PASSUR Surface Management, over just one year, airlines reduced fuel costs by $10-$15 million, logged 48,000 fewer aircraft taxi hours, and released 48,000 fewer metric tons of carbon emissions into the atmosphere.
	n Primary customers: airlines, airports, and government.	
Turn Time Management	n Optimizes the transition of an aircraft from arrival to departure to ensure an on-time departure, schedule completion, and maximum asset utilization.	n Minimizes the frequency, duration, and downstream effects of delays.
	n Minimizes the time required for a plane to unload from one flight and reload for the next flight by monitoring and proactively alerting to bottlenecks at each phase of the aircraft's cycle through arrival to departure, allowing flight and passenger handling resources to be adjusted to ensure an on-time process.	n Ensures on-time schedule completion.
	n Primary customers: airlines and airports	n Excess staffing costs related to inefficient turn times are estimated at close to $1 million per airport per year for large networked airlines.

Connectivity and Collaboration	■ Allows airports to communicate and coordinate with airlines and other key stakeholders to ensure that operations are optimized with airport-critical information that is otherwise unavailable.	■ Reduced tarmac delay fines and incidents.
	■ Addresses one of the key missing pieces in connectivity and collaboration: the two-way flow of accurate, timely, and complete information between airport operators, airlines, and other key stakeholders.	■ Operational metrics directly affected by the lack of timely updates, including secondary/repeat deicing, delays, cancellations, and diversions.
	■ Primary customer: airports (with airlines as key influencer).	■ A large hub airport reduced costs by $12 million using PASSUR Connectivity and Collaboration capabilities.
Aviation Fees and Charges	■ Reduces airlines' operating costs at the airport, and ensures all airlines pay the correct amount.	■ For airports, the program provides faster revenue capture, fiduciary accountability, revenue predictability, and more efficient and fair service to airline stakeholders.
	■ Provides unique data independence, accuracy, and reliability – combined with proven reporting, audit, and billing services – to give airports and airlines the assurance that all billable weight is being captured, that the cost of the airfield is being distributed fairly and equitably, and that the process is transparent, automated, and standardized.	■ For airlines, the program ensures that they pay only their fair share. In addition, their fees could go down after the airport begins collecting all fees owed, and the time and effort required to manage their fees is reduced.
	■ Primary customer: airports (with airlines as key influencer).	■ PASSUR Landing Fee Management solution manages approximately $1.2 billion in aviation fees annually.

The Company believes its products, solutions, and services help its aviation customers generate significant returns by:

(1) improving financial performance and cutting costs;

(2) improving operational efficiency and effectiveness;

(3) increasing safety and security; and

(4) improving the passenger experience.

The Company currently owns 23 issued patents and has an additional 16 patent applications pending with the United States Patent Office. The issued patents expire in various years through 2031.

The Company also owns a federal trademark registration application in the mark PASSUR for use with both the PASSUR hardware system installation, and the software products which use the data derived from the PASSUR Network and other sources; and allowed federal trademark registrations for the marks NextGen^{2} and NextGen^{3}, for use with PASSUR Integrated Traffic Management modules and capabilities.

The Company believes its business opportunities come from the following industry conditions and demand drivers:

Airline Industry Dynamics

Increasing airline profitability, driving investment in technology. We expect airlines will take advantage of their increased profitability to invest in technology that can lower costs, increase revenue, and improve customer satisfaction.

Consolidation in the airline industry creating demand for a common operating system. Airlines are consolidating into much larger networks of greater complexity. There is increasing demand for a common operating platform that can service their entire system.

Current rate of projected traffic growth outpacing aviation infrastructure capacity. There is a dynamic and fast-growing market environment where the projected increase in airline flights over the next 10 years is expected to outpace the current infrastructure's ability to meet the needs of the airline operators. Over time, airlines cannot rely on low-priced fuel and ancillary fees to grow their top line – they will need growth in capacity of the NAS to accommodate the expected growth in demand for air travel. PASSUR's solutions help the aviation industry maximize the capacity of the existing infrastructure. PASSUR has a business model and platform that can be easily scaled to handle new opportunities and is continually identifying new ways to capitalize on and scale these existing capabilities.

Increased susceptibility to systemic disruption. The NAS has become much more sensitive to disruptions, and less capable of quickly rebounding, because of tightly-packed airline schedules, growth in passenger volumes, reduction in fleet sizes, and congestion at several key airport metroplexes. The NAS is highly susceptible to disruptions at several key airport metroplexes, which have a chronic and disproportionate delay impact that ripples across the system.

Government Policy

New emphasis on infrastructure spending. The most recent U.S. election has resulted in an administration committed to large-scale infrastructure projects, which could include technologies, like PASSUR's, designed to increase efficiencies to ensure that public investments in existing and new infrastructure are efficient and cost-effective.

New large government contracts combining both safety and efficiency capabilities. Today, there is a demand for a combination of safety-based Air Traffic Management ("ATM") and efficiency-based ATM. Many of the requested efficiency capabilities are derived from airline and airport customers' needs.

Government contracts require proven commercial viability for public programs. Increasingly, government RFPs for large-scale aviation systems and technologies require a proven track record of precursor models from the commercial sector, in order to shorten development time and ensure the broadest level of adoption by all stakeholders. Many companies regard PASSUR's substantial commercial market share as a means to increase the probability of winning NextGen and government contracts through the combination of PASSUR's commercial ATM (efficiency) with a partner's government ATM (safety) capabilities. PASSUR has been recognized as the commercial leader in aviation efficiency solutions.

Lower tolerance for severe disruptions. Public policy in the form of expensive fines levied on airlines reflects this change of attitude. Consumers want better information relating to aviation, and fewer delays.

Limiting carbon emissions becoming a greater focus. Airlines are increasingly sensitive to the industry's carbon footprint. Several of the PASSUR solutions impact both fuel savings as well as reductions in carbon emissions.

The Connected Airplane and Internet of Things ("IoT")

The Connected Airplane and the IoT are expected to grow in the coming years. PASSUR's existing aviation intelligence platform and solutions can integrate the vast array of data being generated from satellites, and sensors on airplanes. This platform can extract the most important data and integrate that data into a user-friendly solutions package for the user's critical real-time decisions.

Collaborative Decision Making

Airlines, airports, government, and other aviation stakeholders are requesting a collaborative decision making platform. Large airlines need collaborative decision tools including common operating platforms, enabling instant coordination between system operations departments, hubs, and regional operators, and between airlines and airports, to solve complex operational procedures. Common use systems will incorporate airport-centric as well as airline-centric solutions. Airports are increasingly being tasked with providing more multi-airline operational services, previously provided by each airline. When airports provide collective services, redundancy and costs can be reduced. PASSUR has been asked by airlines and airports to help fulfill this need.

Automation and Data Standards

Significant shift from manual processes to automation creating large opportunities for cost savings and efficiencies. Many complex and expensive operational processes at airlines and airports are still manual, opening a large opportunity for automation enabling the realization of cost savings and efficiencies. These opportunities are especially prevalent in the areas of irregular operations, airspace and surface management, and operations where there is a heavy requirement for collaboration among airlines and airports.

PASSUR's entire network has been ADS-B ready for some time and PASSUR is looking forward to capitalizing on the increasing availability of ADS-B data. ADS-B will eventually become a ubiquitous form of aircraft surveillance.

How PASSUR Generates Revenue

The Company's revenues are generated by selling: (1) subscription-based, real-time decision and solution information and (2) professional services. Under the subscription model, the customer typically signs a contract for access to the information services ranging from one year to five years. The agreement also provides that the information from the PASSUR Network cannot be resold, used by others, or used for unauthorized purposes.

Distribution Method

The Company's direct sales force sells its products, as do authorized distributors or integrators who sell PASSUR's products as part of their total solution, e.g. for environmental management.

Competition

PASSUR has developed a full suite of capabilities to reduce inefficiencies and improve performance across the markets it serves. There is no other company, to PASSUR's knowledge, which offers these capabilities. There are, however, other forms of flight tracking, surveillance, and aviation business intelligence products. Depending on the end use of the Company's products, primary competitors include Sabre, Airbus, Saab, The Weather Company/IBM, and Harris Corporation. The Company also sells certain data solutions through systems integrators, including Bruel & Kjaer, some of which may also sell products that are competitive with those offered by the Company. Most of these companies have larger sales forces and greater financial resources than the Company.

Source of Materials

The Company obtains its components from distributors and manufacturers throughout the United States. The Company has multiple sources from which to obtain a majority of its components.

Dependence on Certain Customers

Three customers accounted for 45%, or $6,698,000, of total revenues in fiscal year 2016. One customer accounted for 17% or $2,555,000, a second customer accounted for 17% or $2,460,000, and a third customer accounted for 11% or $1,683,000 of total revenues in fiscal year 2016. One of PASSUR'S customers, who accounted for 11% of total revenues during fiscal year 2016, did not renew a contract that expired on December 31, 2016. However, PASSUR believes that the impact from the revenue to be recognized from new customer contracts previously signed during fiscal year 2016, and the anticipated revenues from either that company and/or new customer acquisitions in fiscal year 2017, is expected to offset the non-renewal of this agreement in fiscal year 2017. Three customers accounted for 41%, or $5,094,000, of total revenues in fiscal year 2015. One customer accounted for 14% or $1,740,000, a second customer accounted for 13% or $1,692,000, and a third customer accounted for 13% or $1,662,000 of total revenues in fiscal year 2015. As of October 31, 2016, the Company had three customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 30%, or $330,000, a second customer accounted for 19%, or $213,000, and a third customer accounted for 14%, or $157,000. As of October 31, 2015, the Company had two customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 17%, or $215,000, and a second customer accounted for 15%, or $192,000. There were no significant past due accounts receivable balances for any customers as of the fiscal year ended October 31, 2016.

Research and Development

The Company's research and development efforts include activities associated with the enhancement, maintenance, and improvement of the Company's existing hardware, software, and information products. These expenses amounted to $826,000 and $725,000 in fiscal years 2016 and 2015, respectively.

Environmental Costs

The Company is not aware of any environmental issues that would have a material adverse effect on future capital expenditures or current and future business operations.

Employees

The Company employed 49 employees, of which 43 were full-time, including three officers, as of October 31, 2016. None of its employees is subject to any collective bargaining agreements.

Available Information

Stockholders may obtain copies of our filings with the SEC, free of charge from the website maintained by the SEC at www.sec.gov or from our website at www.passur.com. Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our filings will be available on our website as soon as reasonably practicable after we electronically file such materials with the SEC. However, the information from our website is not incorporated by reference into this report.

Item 1A. Risk Factors

The Company's success is dependent on the aviation industry. If the Company does not execute its business plan, or if the market for its services fails to develop due to economic or other factors affecting the aviation industry, the Company's results of operations and financial results could be adversely affected.

The Company's revenues are solely derived from the aviation industry. The Company's future revenues and results of operations are dependent on its continued execution of its subscription-based revenue strategy and development of new software solutions and applications for the aviation industry. Due to economic and other factors affecting the aviation industry, there is no assurance that the Company will be able to continue to report growth in its subscription-based business or sustain its current subscription business. If the Company is unable to sustain and/or increase its levels of revenues, and if it is not successful in reducing costs, its cash requirements may increase and results of operations will be adversely affected.

Additionally, the aviation industry has been impacted by budgetary constraints, as well as airline bankruptcies and consolidations, changes in fuel costs, and the continued war on terrorism. The terrorist attacks of September 11, 2001, caused fundamental and permanent changes in the airline industry, including substantial revenue declines and cost increases, which resulted in industry-wide liquidity issues. Additional terrorist attacks, or fear of such attacks, even if not made directly, would negatively affect the airline industry (through, for example, increased security, insurance, and other costs, and lost revenue due to increased ticket refunds and decreased ticket sales), which would, in turn, negatively affect the Company.

The aviation industry is extensively regulated by government agencies, particularly the FAA and the National Transportation Safety Board. New air travel regulations have been, and management anticipates will continue to be, implemented that could have a negative impact on airline and airport revenues. Since substantially all of the Company's current revenues are derived from airport, airline, or related businesses, continued increased regulations of the aviation industry, or a continued downturn in the aviation industry's economic situation, could have a material adverse effect on the Company.

The software business for the aviation industry is highly competitive, and failure to adapt to the changing industry needs could adversely affect our results of operations, business, and financial condition.

The industry in which we compete is marked by rapid and substantial technology change, the steady emergence of new companies and products, as well as evolving industry standards and changing customer needs. We compete with many established companies in the industry we serve, and some of these companies may have substantially greater financial, marketing, and technology resources, larger distribution capabilities, earlier access to potential customers, and greater opportunities to address customers' various information technology requirements. As the aviation industry seeks to be more cost effective, product pricing becomes increasingly important for our customers. As a result, we may experience increased competition from certain low-priced competitors. We continue to develop new products, professional services, and existing product enhancements, but may still be unsuccessful in meeting the needs of our industry in light of other alternatives available in the market. In addition, the pricing of new products, professional services, and existing product enhancements may be above what is required by the marketplace. Our inability to bring new products, professional services, and existing product enhancements to the market in a timely manner, or the failure to achieve industry acceptance, could adversely affect our business, financial condition, operating results, and cash flow.

Reliance on the Company's quarterly operating results as an indication of future results is inappropriate due to potentially significant fluctuations.

The Company's future revenues and results of operations may fluctuate significantly due to a combination of factors, including:

- delays and/or decreases in the signing and invoicing of new contracts;
- the length of time needed to initiate and complete customer contracts;
- the introduction and market acceptance of new and enhanced products and services;
- the costs associated with providing existing and new products and services;
- economic conditions and the impact on the aviation industry of acts of terrorism; and
- the potential of future terrorist acts against the aviation industry and the adverse effects of any further terrorist attacks or other international hostilities.

Accordingly, quarter-to-quarter comparisons of the Company's results of operations should not be relied upon as an indication of performance.

The Company may be unable to raise additional funds to meet operating capital requirements in the future.

While the Company's operations were cash flow positive for the fiscal years ended October 31, 2016 and 2015, and it has a history of profitable operations for ten years, future liquidity and capital requirements are difficult to predict, as they depend on numerous factors, including the maintenance and growth of existing product lines and service offerings, as well as the ability to develop, provide, and sell new products and services in an industry for which liquidity and resources are already adversely affected.

In recent years, the Company has generated sufficient cash to meet its capital requirements. However, in future years, the Company may need to raise additional funds in order to support discretionary expenditures and execute its business plan. These funds, in some cases, may be beyond its scope and normal operating requirements. In such case, the Company may be required to seek alternate sources of financing (which may not be available on favorable terms or at all) or abandon such activities by: (1) terminating or eliminating certain operating activities; (2) terminating personnel; (3) eliminating marketing activities; and/or (4) eliminating research and development programs. If any of the aforementioned occurs, the Company's ability to expand could become adversely affected.

The Company has been profitable for the current and previous ten fiscal years, but, prior to that, incurred operating losses and negative cash flows from operations.

The Company has been profitable for the past ten years. The Company had income before taxes of $1,025,000 and $677,000 for fiscal years ended October 31, 2016 and 2015, respectively. The Company's ability to maintain profitability will depend upon its ability to generate significant increased revenues through new and existing customer agreements, additional services, and/or products offered to existing and new customers, as well as to deploy PASSUR Systems in inventory and control costs associated with business operations. There can be no assurance that the Company will be able to execute on these requirements. The Company may not be able to sustain or increase its profits on a quarterly or annual basis in the future. Also, should the Company's investment in capitalized software development costs become impaired, there would be a negative impact on the Company's profitability.

A limited number of customer contracts accounts for a high percentage of the Company's revenues, and the inability to replace a key customer contract could adversely affect its results of operations, business, and financial condition.

The Company relies on a small number of customer contracts for a large percentage of its revenues and expects that a significant percentage of its revenues will continue to be derived from a limited number of customer contracts. The Company's top five customers accounted for 55% of its revenue in fiscal year 2016. The Company's business plan is to obtain additional customers, but the Company anticipates that near-term revenues and operating results will continue to depend on large contracts from a small number of customers. One of the Company's customers, who accounted for 11% of total revenues during fiscal year 2016, did not renew a contract that expired on December 31, 2016. However, the Company believes that the impact from the revenue to be recognized from new customer contracts previously signed during fiscal year 2016, and the anticipated revenues from either that company and/or new customer acquisitions in fiscal year 2017, is expected to offset the non-renewal of this agreement in fiscal year 2017.

Additionally, the aviation industry, particularly the airline sector, has experienced bankruptcies and consolidations recently. Bankruptcy filings or consolidations by our existing customers may adversely affect our ability to continue such services and collect payments due to the Company by such customers. As a result of this concentration of our customer base, an inability to replace one or more of these large customer contracts could materially adversely affect our business, financial condition, operating results, and cash flow.

The Company depends upon certain key personnel and may not be able to retain these employees.

The Company's future performance depends on the continued services of its key sales, technical, and engineering personnel. The Company continues to depend on the efforts of a limited number of key personnel. The employment of any of the Company's key personnel could cease at any time, which could have an adverse effect on our business.

The PASSUR Network could experience disruptions, which could affect the delivery of data.

AT&T hosts and maintains the Company's network infrastructure through an existing frame-relay and Multiprotocol Label Switching ("MPLS") network and the Company's wireless network is hosted and maintained by Sprint. If AT&T or Sprint experiences system failures, or fails to adequately maintain the frame-relay, MPLS, and wireless networks, the Company may experience interruption of delivery of data/software services and customers may terminate or elect not to continue to subscribe to these services in the future. The Company's network infrastructure may be vulnerable to computer viruses, break-ins, denial of service attacks, and similar disruptive problems. Computer viruses, break-ins, denial of service attacks, or other problems caused by third parties, could lead to interruptions, delays, or cessation in service to customers. There is currently no existing technology that provides absolute security. Such incidents could deter potential customers and adversely affect existing customer relationships.

Security breaches could expose the Company to liability and damage its reputation and business.

The Company processes, stores, and transmits large amounts of data and it is critical to its business strategy that its facilities and infrastructure, including those provided by customers and vendors, remain secure and are perceived by the marketplace to be secure. The Company's infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems. Any physical or electronic break-in or other security breach or compromise of the information handled by the Company or its service providers may jeopardize the security or integrity of information in the Company's computer systems and networks or those of its customers and cause significant interruptions and/or errors in the Company's products and solutions.

Any systems and processes that the Company has developed that are designed to protect customer information and prevent data loss and other security breaches cannot provide absolute security. In addition, the Company may not successfully implement remediation plans to address all potential exposures. It is possible that the Company may have to expend additional financial and other resources to address such problems. Failure to prevent or mitigate data loss or other security breaches could expose the Company or its customers to a risk of loss or misuse of such information, cause customers to lose confidence in the Company's data protection measures, damage the Company's reputation, adversely affect the Company's operating results or result in litigation or potential liability for the Company. While the Company maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all of its losses.

The Company may be subject to new government regulations relating to the distribution of flight-tracking data.

The Company currently maintains strict security regulations for its data in order to comply with current government regulations. Due to the continued growing safety needs and concerns of the aviation industry, new government regulations may be implemented. Such new regulations may, in some cases, hinder the Company's ability to provide current and/or additional services.

Unauthorized use of the Company's intellectual properties by third parties may damage and/or adversely affect its business.

The Company regards its trademarks, trade secrets, and all other intellectual property as critical to its future success. Unauthorized use of its intellectual property by third parties may damage and/or impair its business. The Company relies on trademarks, trade secrets, patent protection, and contracts, including confidentiality and non-exclusive license agreements with its customers, employees, consultants, strategic partners, and others to protect its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use the Company's intellectual property without its prior knowledge and/or authorization. Prosecuting infringers could be time consuming and costly, and, irrespective of whether or not the Company is successful, could disrupt its business.

The Company currently owns twenty-three issued patents and has an additional sixteen patent applications which are pending with the United States Patent Office, some of which relate to newly developed internet-based software applications. The issued patents expire in various years through 2031. The Company intends to seek additional patents on its products, technological advances, and/or software applications, when appropriate. There can be no assurance that patents will be issued for any of its pending or future patent applications, or that any claims allowed from such applications will be of sufficient scope, or provide adequate protection or any commercial advantage to the Company. Additionally, competitors may be able to design around patents and possibly affect commercial interests.

The Company also owns a federal trademark registration application in the mark PASSUR for use with both the PASSUR hardware system installation, and the software products which use the data derived from the PASSUR Network and other sources; and allowed federal trademark registration for the marks NextGen^2 and NextGen^3, for use with PASSUR Integrated Traffic Management modules and capabilities. The Company believes that the PASSUR NextGen^2 and NextGen^3 federal registrations will allow the Company to enforce its rights in the marks in the federal court system. The registrations do not assure that others will be prevented from using similar trademarks in connection with related products and/or services.

Defending against intellectual property claims could pose significant legal and professional costs, and if unsuccessful, could adversely affect the Company.

The Company cannot guarantee that its future products, technologies, and software applications will not inadvertently infringe valid patents or other intellectual property rights held by third parties. The Company may be subject to legal proceedings and claims from time to time relating to the intellectual property of others. Investigation of any such claims from third parties alleging infringement of their intellectual property, whether with or without merit, can be expensive and could affect development, marketing, selling, or delivery of its products. Defending against intellectual property infringement claims could be time consuming and costly, and, irrespective of whether or not the Company is successful, could disrupt its business. The Company may incur substantial expenses in defending against these third party claims, regardless of their merit. Successful infringement claims against the Company may result in significant monetary liability and could adversely affect its business, financial condition, operating results, and cash flow.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's headquarters are located at One Landmark Square, Suite 1900, Stamford, Connecticut. Effective June 26, 2009, the Company entered into a five-year lease for 4,000 square feet of office space. This lease was modified during fiscal year 2010, extending the term of the original lease through January 31, 2018, and adding 1,300 square feet of office space, resulting in a total average annual rental rate of $234,000 and a total of 5,300 square feet.

The Company's hardware and software development and manufacturing facility is located in a one-story, 36,000 square foot building at 35 Orville Drive, Bohemia, New York. The Company, which renewed the lease through October 31, 2017, leases 12,000 square feet at an average annual rental rate of $134,000.

The Company's primary software development facility is located at 5750 Major Blvd, Suite 530, Orlando, Florida. Effective May 1, 2016, the Company expanded its offices and entered into a five-year lease for 3,445 square feet of office space at an average annual rental rate of $67,000.

The Company has a sales office in Bloomington, Minnesota.

The Company believes these rates are competitive and are at or below market rates. The Company's headquarters and software development and manufacturing facilities are suitable for its requirements.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

None.

(a) Market Information

The Company's Common Stock, par value $0.01 per share (the "Common Stock"), is traded on the over-the-counter bulletin board.

The following table sets forth the reported high and low sales prices for the Company's common stock for each quarterly period during the Company's last two fiscal years, as reported by the National Quotation Bureau, Inc.:

Period	**Prices***	
Fiscal year ended October 31, 2016	**High**	**Low**
First quarter	**$ 3.45**	**$ 2.25**
Second quarter	**$ 2.95**	**$ 2.17**
Third quarter	**$ 3.92**	**$ 2.33**
Fourth quarter	**$ 4.00**	**$ 2.75**

Fiscal year ended October 31, 2015

First quarter	$	4.05	$	2.51
Second quarter	$	3.55	$	2.80
Third quarter	$	3.73	$	2.70
Fourth quarter	$	3.45	$	2.60

* The quotations represent prices on the over-the-counter bulletin board between dealers in securities and do not include retail markup, markdown, or commission. Further, the quotations do not necessarily represent actual transactions.

(b) Holders

The number of registered equity security holders of record as of December 31, 2016 was 182, as shown in the records of the Company's transfer agent.

(c) Dividends

The Company has never paid cash dividends on its shares. The Company does not anticipate paying cash dividends in the foreseeable future.

(d) Securities Authorized for Issuance under Equity Compensation Plans

Information with respect to securities authorized for issuance under the Company's equity compensation plans as of October 31, 2016, is as follows:

Plan category	Number of securities to be issued upon exercise of outstanding stock options, warrants, and rights (a)	Weighted average exercise price of outstanding stock options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,329,000	$ 3.42	228,000
Equity compensation plans not approved by security holders	-	-	-
Total	**1,329,000**	**$ 3.42**	**228,000**

Item 6. Selected Financial Data

Not Required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

General

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. 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. The Company has identified the policies and estimates below as critical to its 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, where such policies affect its reported financial results. The actual impact of these factors may differ under different assumptions or conditions.

Overview

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 eight airports by one or more airline customers), hundreds of corporate aviation customers, as well as the U.S. government.

Our core business addresses some of 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.

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

The Company's major achievements during fiscal year 2016 are summarized below. The Company:

1) Generated revenue of $14,893,000 and year over year overall revenue growth of $2,354,000, or 19%.

2) Achieved a tenth consecutive year of profitability.

3) Strengthened and expanded its technology and software development team headcount by 23%.

4) Increased deployments of PASSUR's surface management programs – 65% of daily flights at U.S. airports with surface tracking that are managed with PASSUR Surface Management solutions. In 2016, PASSUR contracted and installed its new Surface Management solution including PASSUR Surface Surveillance systems, at three additional airports, and is under contract for four additional installations. PASSUR Surface Management solutions help to optimize constraints across the entire flight, including some of the most complex, expensive, and disruptive operations such as tarmac delays, gate holds, taxi queues, turn times, return-to-gate, diversions, and deicing.

5) Enhanced and deployed its newest flight predictability solution, which provides the most accurate and reliable prediction of flight arrival times, at two of the largest U.S. airlines. PASSUR's predictive analytics are now used for 53% of daily passenger flights in the U.S., providing the most accurate information to passengers and enabling key improvements across airline operations – such as turn times, decisions about connections, gate allocations, schedule adjustments, crew allocations, and many other arrival time-dependent decisions.

6) Expanded its airport-airline collaborative network, with the addition of six new airports. This real-time platform provides close coordination and information sharing between airlines and airports, used to manage complex or disrupted operations and to reduce costs and passenger disruptions.

7) Announced a partnership with AirMap, the leading airspace management platform for drones. The partnership will make real-time data about manned aircraft flights from PASSUR's commercial passive radar and ground-based flight surveillance network available to the hundreds of drone innovators and app developers who use AirMap's developer platform; to the millions of drones that are powered by AirMap's integrations with leading drone manufacturers; and to anyone who downloads the AirMap iOS or Android app.

8) Launched the industry's first dashboard for reporting on and analyzing air transportation system performance improvements attributable to the deployment of key NextGen capabilities, for Radio Technical Commission for Aeronautics, following award of the contract last year. This is the first industry dashboard for reporting on and analyzing air transportation system performance improvements attributable to the deployment of key NextGen capabilities – a transparent mechanism to collect data, develop the reports in a dashboard, provide the ability to analyze the results, to determine the success of the recent NAS improvements and in cases where the benefits are not as expected, to discover and mitigate the underlying issues. The goal is for the FAA and industry to arrive at a common statement of performance. The project is supporting the FAA-Industry Joint Analysis Team ("JAT") of the NextGen Advisory Committee, a 32-member federal advisory committee established in 2010 to provide advice on policy-level issues facing the aviation community in implementing NextGen, and includes a cross section of executives from the airlines, airports, general aviation, pilots, air traffic controllers, the Department of Defense, environmental interests, international interests, and providers of air traffic control technology. The JAT formally began using the platform to assess and report on several key NextGen programs.

9) Launched several new solutions and enhancements to its existing platform, PASSUR Integrated Traffic Management , including:

a) PASSUR Intelligent Query ("P-IQ"), which supports airlines and airports in segmenting their most important operational objectives, and then automatically alerts and notifies them to actions they can take to achieve their goals. It is a capability that automates and streamlines opportunities for efficiency gains, revenue optimization, and cost savings on a daily basis.

b) New release of ATC Portal, adding dynamically updating arrival and departure demand at an airport – making this unique predictive solution even more effective in enabling airlines and airports to proactively anticipate disruptions and adjust their operation to minimize costs and passenger disruptions.

c) New release of PASSUR's flagship flight, airport, and airspace visualization solution, Web Tracker – adding greater flexibility and speed for customers to customize their screens to reflect their specific operating environment, workflow requirements, and key operational and business metrics.

d) Released new versions of PASSUR Departure Metering and Sequencing at multiple airports, which enables airlines to prioritize high-value flights, reduce the number of aircraft waiting to take off, and sequence arrivals and departures to most efficiently use gates and reflect their most critical business and operational priorities.

e) Was awarded two new patents. The total number of patents awarded to the Company is now 23, with 16 additional patents pending. The new patents are in the following areas:

i) Departure Metering/Slot Allocation (for a total of 6 patents in this or related areas); and

ii) Noise monitoring and alerting (for a total of 7 patents in this or related areas).

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.

The Company shipped one Company-owned PASSUR System and installed 24 Company owned PASSUR and SMLAT Systems during fiscal year 2016 (installations include systems shipped in the current and previous fiscal year). The shipped and installed PASSUR and SMLAT Systems are capitalized as part of the Company-owned PASSUR Network. The Company will continue to expand the PASSUR Network by shipping and installing additional PASSUR and SMLAT Systems throughout fiscal year 2017. Management anticipates that future PASSUR sites will provide increased coverage for the PASSUR Network by increasing the Company's ability to contract with new customers at such locations, and by providing existing customers with additional data solutions. The Company will continue to market the business intelligence, predictive analytics, as well as decision support applications and solutions derived from the PASSUR Network, directly to the aviation industry and organizations that serve, or are served by, the aviation industry. There were over 180 Company-owned PASSUR Systems located at airports worldwide at the end of fiscal year 2016. Redundant PASSUR Systems have been installed at major customer locations.

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.

In fiscal year 2016, total revenues increased $2,354,000, or 19%, to $14,893,000, as compared with $12,538,000 in fiscal year 2015. The increase in total revenues was primarily driven by the growth in subscription-based revenues from our installed base of customers totaling approximately $1,940,000 or 13% as compared with fiscal year 2015. In addition, during fiscal year 2016, our subscription-based revenues from new customers increased $368,000, as compared with fiscal year 2015. Our subscription-based revenues from the airline and airport markets increased approximately 28% and 8% in fiscal year 2016, respectively, as compared with fiscal year 2015. Finally, one of the PASSUR'S customers, who accounted for 11% of total revenues during fiscal year 2016, did not renew a contract that expired on December 31, 2016. However, PASSUR believes that the impact from the revenue to be recognized from new customer contracts previously signed during fiscal year 2016, and the anticipated revenues from either that company and/or new customer acquisitions in fiscal year 2017, is expected to offset the non-renewal of this agreement in fiscal year 2017.

Cost of Revenues

Costs associated with subscription and maintenance revenues consist primarily of direct labor, depreciation of PASSUR and 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 include 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 increased $944,000, or 17%, in fiscal year 2016, as compared with fiscal year 2015, due to an increase in amortization of software development projects of $283,000, an increase in consulting fees of $153,000, as well as lower capitalized labor and overhead of $371,000, due to lower manufacturing activity. In addition, data feeds and license fees increased $111,000.

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, 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 amortize over 7 years for PASSUR or 5 years for SMLAT systems typically.

Costs of revenues as a percentage of revenues was consistent at 43% in fiscal year 2016 and fiscal year 2015.

Research and Development

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 hardware, software, and information products. Research and development expenses increased $102,000, or 14%, in fiscal year 2016, as compared to fiscal year 2015, primarily due to an increase in payroll and related costs of $132,000, which was partially offset by a reduction in travel and entertainment expenses of $43,000.

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. There were no customer-sponsored research and development activities during fiscal years 2016 or 2015. Research and development expenses are funded by current operations.

Selling, General, and Administrative

Selling, general, and administrative expenses increased $1,003,000, or 18%, in fiscal year 2016, as compared to fiscal year 2015, primarily as a result of increased personnel related costs, partially offset by a decrease in consulting fees of $149,000. Our sales and marketing salary expense increased approximately $438,000 or 19%, as compared to the prior fiscal year, as a result of our continued investments in sales and marketing to achieve our present and future revenue growth objectives. In addition, our general and administrative salary expense increased approximately $450,000 or 29%, as compared to the prior fiscal year, due to hiring of several key employees.

Income from Operations

Revenues increased $2,354,000, or 19%, to $14,893,000, total costs and expenses increased $2,048,000, or 18%, to $13,685,000, and income from operations increased $306,000, or 34%, to $1,208,000 in fiscal year 2016 as compared to fiscal year 2015.

Interest Expense – Related Party

Interest expense – related party decreased $41,000, or 18%, in fiscal year 2016, as compared to fiscal year 2015, due to a reduction in note payable of $800,000 during fiscal year 2016.

Income before Income Taxes

Income before income taxes increased $347,000, or 51%, to $1,025,000 in fiscal year 2016, as compared with fiscal year 2015.

Income Taxes

The effective tax rate for fiscal year 2016 was 57.6%, as compared with 58.8% in fiscal year 2015. The statutory income tax expense at 34% for fiscal year 2016 was $349,000. This varies from actual income tax expense of $590,000 primarily due to permanent differences of meals and entertainment and ISO stock compensation of $139,000, state income of taxes of $33,000 (net of federal benefit), and a change to the state deferred tax rate of $69,000.

The Company's provision for income taxes in each year consists of current federal, state, and local minimum taxes.

At October 31, 2016, the Company had available a federal net operating loss carry-forward of $6,341,000 for income tax purposes, which will expire in various tax years from fiscal year 2022 through fiscal year 2033. The Company evaluates whether a valuation allowance related to deferred tax assets is required each reporting period. A valuation allowance is established if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized. The Company follows ASC 740, "Income Taxes," where tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in tax returns that do not meet these recognition and measurement standards. At October 31, 2016 and 2015, the Company did not have any uncertain tax positions or a valuation allowance. As permitted by ASC 740-10, the Company's accounting policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision.

Net Income

The Company's net income increased $156,000 or 56% to $435,000, or $0.06 per diluted share, in fiscal year 2016 as compared to net income of $279,000, or $0.04 per diluted share, in fiscal year 2015.

Impact of Inflation

In the opinion of management, inflation has not had a material effect on the operations of the Company including selling prices, capital expenditures, and operating expenses.

Liquidity and Capital Resources

The Company's current liabilities exceeded current assets by $1,200,000 at October 31, 2016. The note payable to a related party, G.S. Beckwith Gilbert, the Company's significant shareholder and Chairman, was $2,700,000 at October 31, 2016, with a maturity of November 1, 2017. The Company's stockholders' equity was $12,327,000 at October 31, 2016. The Company had net income of $435,000 for fiscal year 2016.

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.

During fiscal year 2016, the Company paid interest to G.S. Beckwith Gilbert of $183,000, representing the entire fiscal year 2016 interest due, thereby meeting the payment requirements of the loan agreement. During fiscal year 2016, the Company made $800,000 in principal payments, bringing the principal amount of the note payable due to G.S. Beckwith Gilbert to $2,700,000 on October 31, 2016.

During fiscal year 2015, the Company paid interest to G.S. Beckwith Gilbert of $225,000, representing the entire fiscal year 2015 interest due, thereby meeting the payment requirements of the loan agreement. During fiscal year 2015, the Company made $365,000 in principal payments, bringing the principal amount of the note payable due to G.S. Beckwith Gilbert to $3,500,000 on October 31, 2015.

On January 6, 2017, the Company entered into a Third Debt Extension Agreement with G.S. Beckwith Gilbert, 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 $2,700,000. 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 at October 31st of each year. The note payable is 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.

Net cash provided by operating activities was $4,910,000 for fiscal year 2016, and consisted of net income of $435,000, depreciation and amortization of $3,341,000, stock-based compensation expense of $401,000, and the provision for deferred taxes of $541,000, with the balance consisting of an increase in operating assets and liabilities. Net cash used in investing activities was $3,530,000 for fiscal year 2016, expended primarily for capitalized software development costs, additions to the PASSUR Network, and a second data center at an off-site location. Net cash used in financing activities was $782,000 for fiscal year 2016, and primarily consisted of an $800,000 repayment on the note payable – related party, offset by $18,000 for employees' exercise of stock options. Net cash provided by operating activities decreased by $299,000 in fiscal year 2016 primarily due to the decrease of accounts payable during the year.

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 FAA 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 reflective to the revenue fluctuations, losses may occur. The extent of such profits or losses will be dependent on sales volume achieved and Company ability to optimize its cost structures.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

General

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. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities, based on accounting policies management has implemented. The Company has identified the policies and estimates below as critical to its 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, where such policies affect its reported financial results. The actual impact of these factors may differ under different assumptions or conditions. The Company's accounting policies that require management to apply significant judgment and estimates include:

Revenue Recognition

As discussed further in Note (1) *Description of Business and Significant Accounting Policies*, to the Company's consolidated financial statements, the company recognizes revenue in accordance with the authoritative guidance issued by the FASB on revenue recognition, FASB ASC 605-15, ("Revenue Recognition in Financial Statements"). We recognize revenue when persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery has occurred, and collection of the resulting receivable is deemed probable.

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 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 our customers are identified and priced separately to the customer based upon the stand-alone price 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. The Company's 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.

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, installation costs associated with the deployment of additions to the Company owned PASSUR Network, 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 five years.

Capitalized Software Development Costs

As discussed further in Note (1) *Description of Business and Significant Accounting Policies*, to the Company's consolidated financial statements, the Company capitalizes costs related to the development of internal use software in accordance with authoritative guidance issued by the FASB on internal-use software, ASC 350-40, "Internal-Use Software." 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.

As of October 31, 2016 and 2015, the Company had $8,264,000 and $7,685,000, respectively, of software development costs, net of amortization. The Company has a formal program to determine when technological feasibility of a product is established and assumptions are used that reflect the Company's best estimates. Software development costs are reported at the lower of amortized cost or net realizable value. Net realizable value is computed as the estimated gross future revenue from each software solution less the amount of estimated future costs of completing and disposing of that product. Software costs are included in "Capitalized software development costs, net" on the Company's balance sheet and are depreciated using the straight-line method over their estimated useful life, generally five years.

Impairment of Long-Lived Assets

As discussed further in Note (1) *Description of Business and Significant Accounting Policies*, to the Company's consolidated financial statements, the Company follows the provisions of FASB ASC 360-10, "Impairment and Disposal of 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 revised life.

All of the Company's capitalized assets are recorded at cost (which may also include salaries and related overhead costs incurred during production and/or development) and depreciated and/or amortized over the asset's estimated useful life for financial statement purposes. The estimated useful life represents the projected period of time that the asset will be productively employed by the Company and is determined by management based on many factors, including historical experience with similar assets, technological life cycles, and industry standards for similar assets. Circumstances and events relating to these assets are monitored to ensure that changes in asset lives or impairments (see "Impairment of Long-Lived Assets" above) are identified and prospective depreciation or impairment expense is adjusted accordingly.

The Company's long-lived assets, which include the PASSUR Network and Property and equipment, totaled $6,927,000, and accounted for 35% of the Company's total assets as of October 31, 2016.

At each reporting period, management evaluates the carrying values of the Company's assets. The evaluation considers the undiscounted cash flows generated from current contractual revenue sources and the anticipated forecast revenue derived from each asset. The Company then evaluates these revenues on an overall basis to determine if any impairment issues exist. As of October 31, 2016, based upon management's evaluation of the above asset groups, no impairment of these asset groups exist. If these forecasts are not met, the Company may have to record impairment charges not previously recorded.

Depreciation and Amortization

The PASSUR Network, net, Capitalized software development costs, net, and Property and equipment, net totaled $5,740,000, $8,264,000, and $1,187,000, respectively, as of October 31, 2016. As of October 31, 2015, the PASSUR Network, net, Capitalized software development costs, net, and Property and equipment, net totaled $5,903,000, $7,685,000, and $1,354,000, respectively. In management's judgment, the estimated depreciable lives used to calculate the annual depreciation and amortization expense are appropriate.

Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the assets, as follows:

PASSUR Network	5 to 7 years
Capitalized software development costs	5 years
Property and equipment	3 to 10 years

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. Depreciation is charged to cost of revenues and is calculated 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. PASSUR and SMLAT Systems which are not installed, raw materials, work-in-process, and finished goods components are carried at cost and no depreciation is recorded.

Total depreciation and amortization expense was $3,341,000 in fiscal year 2016, and consisted of $939,000, $1,845,000, $496,000, and $61,000 for the PASSUR Network, Capitalized software development costs, Property and equipment, and one-time fees, respectively. During fiscal year 2015, total depreciation and amortization expense was $3,055,000 in fiscal year 2016, and consisted of $1,015,000, $1,562,000, $425,000, and $53,000 for the PASSUR Network, Capitalized software development costs, Property and equipment, and one-time fees, respectively.

<u>Stock-Based Compensation</u>

As discussed further in Note (9) *Stock-Based Compensation* to the Company's consolidated financial statements, the Company accounts for share-based awards in accordance with the authoritative guidance issued by the FASB on stock compensation, FASB ASC 718, "Compensation-Stock Compensation," which requires measurement of compensation cost for all stock-based awards at fair value on 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 option-pricing model to compute the estimated fair value of share-based compensation expense. The Black-Scholes option-pricing model includes assumptions regarding dividend yields, expected volatility, expected option term and risk-free interest rates. The assumptions used in computing the fair value of share-based compensation expense reflect the Company's best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of the Company's control. Additionally, the Company estimates forfeiture rates based primarily upon historical experience, adjusted when appropriate for known events or expected trends. Stock-based compensation expense was $401,000 and $341,000 in fiscal years 2016 and 2015, respectively, and was primarily included in selling, general, and administrative expenses.

<u>Recent Accounting Pronouncements</u>

See Note 1 of Notes to Consolidated Financial Statements.

<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>

Not Required.

<u>Item 8. Financial Statements and Supplementary Data</u>

See Part IV, Item 15(a)(1) of this Annual Report on Form 10-K for the Company's annual financial statements.

<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, 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 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 Annual Report on Form 10-K, 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 October 31, 2016.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States. Management evaluates the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the 1992 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control Integrated Framework. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of October 31, 2016. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of October 31, 2016.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

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 fourth fiscal quarter ended October 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

As previously disclosed on Form 8-K filed by the Company on October 20, 2016, the Company has entered into an agreement with Louis J. Petrucelly, the Company's Senior Vice President, Chief Financial Officer, Treasurer and Secretary, pursuant to which Mr. Petrucelly will be paid twelve months base salary in the event a change in control of the Company causes, within twelve months of the change in control results in an involuntary or voluntary for "Good Reason" termination of his employment. The foregoing description of the agreement with Mr. Petrucelly is a summary. The full text of the agreement is filed as Exhibit 99.1 and incorporated herein by reference.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance of the Registrant

(a) Identification of Directors

The following table sets forth the names and ages of the Company's directors, as well as the year each individual became a director, and the position(s) with the Company, if any, held by each individual.

Name	Age	Director since	Director Position and Officers with the Company
G.S. Beckwith Gilbert	74	1997	Executive Chairman of the Board, Chairman of the Executive Committee, and Director
John R. Keller	76	1997	Executive Vice President and Director
Paul L. Graziani	59	1997	Chairman of the Audit Committee and Director
James T. Barry	55	2000	President, Chief Executive Officer, and Director
Kurt J. Ekert	46	2009	Chairman of the Compensation Committee and Director
Peter L. Bloom	59	2009	Chairman of the Technology Committee and Director
Richard L. Haver	70	2010	Director
Robert M. Stafford	74	2013	Director
Ronald V. Rose	65	2014	Director

Each director is elected to serve until the succeeding Annual Meeting of Stockholders and until his successor is duly elected and qualified.

(b) Identification of Executive Officers

The following table sets forth the names and ages of the Company's executive officers, as well as the office(s) held by each individual, and the year in which each executive officer began to serve in such capacity.

Name	Age	Officer since	Officer Position and Officers with the Company
G.S. Beckwith Gilbert	74	1997	Executive Chairman of the Board, Chairman of the Executive Committee, and Director
James T. Barry	55	1998	President, Chief Executive Officer, and Director
Louis J. Petrucelly	42	2016	Chief Financial Officer, Treasurer, and Secretary

Each officer is elected to serve at the discretion of the Board of Directors.

(c) Identification of Certain Significant Employees

None.

(d) Family Relationship

None.

(e) Business Experience

The following sets forth the business experience of the Company's directors and executive officers:

G.S. Beckwith Gilbert	Mr. Gilbert is Executive Chairman of the Board of Directors of the Company. Mr. Gilbert has continued to serve as the Company's Chairman of the Board since his election in 1997. Mr. Gilbert also serves as the Chairman of the Executive Committee. Mr. Gilbert was appointed Chief Executive Officer in October of 1998 and served as such until his retirement from that post on February 1, 2003. Mr. Gilbert is President and Chief Executive Officer of Field Point Capital Management Company, a merchant-banking firm, a position he has held since 1988. Mr. Gilbert is also Chairman Emeritus and a member of the Board of Fellows of Harvard Medical School, a Director of the Yale Cancer Center, and a member of the Council on Foreign Relations. Mr. Gilbert's current service as Chairman of the Board of the Company and Chairman of the Executive Committee and prior service as Chief Executive Officer of the Company, as well as his prior board and executive management experience, allow him to provide in-depth knowledge of the Company and other valuable insight and knowledge to the Board.
Paul L. Graziani	Mr. Graziani has been a Director of the Company since 1997 and is the Chairman of the Audit Committee. He currently serves as Chief Executive Officer of Analytical Graphics, Inc. ("AGI"), a leading producer of commercially available analysis and visualization software for the aerospace, defense, and intelligence communities, a position he has held since January 1989. Until March 2009, he also served as AGI's President. In recent times, Mr. Graziani has been recognized as "CEO of the Year" by the Philadelphia region's Eastern Technology Council and the Chester County Chamber of Business and Industry; "Entrepreneur of the Year" regional winner by Ernst & Young; and "Businessman of the Year" by the local Great Valley Regional Chamber of Commerce. He sits on the Boards of Directors of the United States Geospatial Intelligence Foundation and Federation of Galaxy Explorers, and is a former member of the board of governors of the Civil Air Patrol. He is an associate fellow of the American Institute of Aeronautics and Astronautics and has formerly served on the advisory board for Penn State Great Valley. After fulfilling his board tenure, he was recently elected to the honorary position of Life Director of The Space Foundation. In 2009 AGI was named a "Top Small Workplace" by the *Wall Street Journal* and the non-profit organization Winning Workplaces. Mr. Graziani's knowledge of the Company through his service as a Director of the Company, as well as his experience as CEO of a software company, allow him to bring valuable insight and knowledge to the Board.
Kurt J. Ekert	Mr. Ekert has been a Director of the Company since September 10, 2009, and currently serves as Chairman of the Compensation Committee. Mr. Ekert is currently President and Chief Executive Officer of Carlson Wagonlit Travel ("CWT"), the world's leading business travel management company, since April 2016. Prior to CWT, Mr. Ekert served as Executive Vice President & Chief Commercial Officer of Travelport Worldwide Ltd ("Travelport"), from 2010 to 2016, where he held global responsibility for sales, customer engagement, product, marketing, pricing, supplier services/content, and operations. Mr. Ekert led the operational turnaround of Travelport to enable evolution from distressed private equity and hedge fund ownership to a successful IPO. Mr. Ekert held numerous senior operating and business development roles during his career at Travelport, including Chief Operating Officer of GTA and Senior Vice President of Supplier Services. Prior to Travelport, Mr. Ekert held a number of senior finance roles at Continental Airlines, and also spent four years as an active duty U.S. Army officer. Mr. Ekert received a B.S. from the Wharton School of the University of Pennsylvania and a MBA from the University of South Carolina. Mr. Ekert serves as an advisor to Freebird and previously served on the board of eNett International. Mr. Ekert's knowledge of the Company through his service as a Director of the Company, as well as his executive management and business experience in both travel and technology allow him to bring valuable insight and knowledge to the Board.

Peter L. Bloom	Mr. Bloom has been a Director of the Company since December 10, 2009, and currently serves as Chairman of the Technology Committee. Mr. Bloom was a Managing Director of General Atlantic for 15 years. In that role, he was responsible for technology due diligence on prospective investments and assistance to the CEO and senior management teams of portfolio companies on technology strategy and guidance on emerging technology trends. Prior to joining General Atlantic, Mr. Bloom spent thirteen years at Salomon Brothers in a variety of roles in both technology and fixed income sales and trading. He received the Carnegie Mellon/AMS Achievement Award in Managing Information Technology for his work managing the technology implementation of a new distributed computing architecture that supported the company's global business operations. He graduated from Northwestern University in 1978 with a B.A. in Computer Studies and Economics. He is a member of Business Executives for National Security and an Associate Founder of Singularity University. He was a member of the FCC Technical Advisory Council from 2010 to 2015. He is currently the Chairman of DonorsChoose, which was named the most innovative charity in America by Stanford Business School and Amazon. Mr. Bloom is also the co-founder and Chairman of Peak Rescue Institute. He is a member of the board of the Cancer Research Institute and the Connected Warrior Foundation. Mr. Bloom's knowledge of the Company through his service as a Director of the Company, as well as his executive management and business experience and technology expertise, allow him to bring valuable insight and knowledge to the Board.
Richard L. Haver	Mr. Haver has been a Director of the Company since October 8, 2010. Mr. Haver retired from Northrop Grumman Corporation in December 2010 following 10 years of service with Northrop and the TRW component acquired by Northrop in 2002. His position at Northrop Grumman was Vice President for Intelligence Programs. He earned a B.A. degree in History from Johns Hopkins University in 1967. He served on active duty in the U.S. Navy from 1967 to 1973. In 1973, Mr. Haver became a civilian intelligence analyst in the Anti-Submarine Warfare Systems branch at the Naval Intelligence Support Center. In 1976, he was selected as a department head at the Navy Field Operational Intelligence Office ("NFOIO"), and the next year became the Technical Director of the Naval Ocean Surveillance Information Center. He subsequently held the senior civilian position at NFOIO, serving as Technical Director until assuming the position of Special Assistant to the Director of Naval Intelligence in 1981. He was selected as Deputy Director of Naval Intelligence in June 1985, a position he held until 1989. Mr. Haver was selected by Secretary of Defense Dick Cheney in July 1989 to the position of Assistant to the Secretary of Defense for Intelligence Policy. From 1992 to 1995, he served as the Executive Director for Intelligence Community Affairs. In 1998, he assumed the duties of Chief of Staff of the National Intelligence Council and Deputy to the Assistant Director of Central Intelligence for Analysis and Production. In 1999, Mr. Haver joined TRW as Vice President and Director, Intelligence Programs. He led business development and marketing activities in the intelligence market area for their Systems & Information Technology Group. He also served as liaison to the group's strategic and tactical C3 business units, as well as TRW's Telecommunications and Space & Electronics groups. Mr. Haver was selected by Vice President Cheney to head the Administration's Transition Team for Intelligence and then selected by Secretary of Defense Donald Rumsfeld as the Special Assistant to the Secretary of Defense for Intelligence. He returned to the private sector in 2003. Mr. Haver is now consulting to both government and private industry associated with the national security and intelligence fields, as well as volunteer work, and service on various boards and panels. Mr. Haver's knowledge of the Company through his service as a Director of the Company, as well as his executive management and business experience in the intelligence field, allow him to bring valuable insight and knowledge to the Board.
Robert M. Stafford	Mr. Stafford has been a Director of the Company since June 12, 2013. Mr. Stafford is currently the Chairman and CEO of Stafford Capital Management, where he has worked since 1986, and the Managing Partner of Pacific Management Ltd., where he has also worked since 1986. Mr. Stafford received a bachelor's degree from Princeton University in 1963 and an MBA from Stanford Graduate School of Business in 1968. Mr. Stafford's extensive financial experience allows him to bring valuable insight and knowledge to the Board.

Ronald V. Rose	Mr. Rose has been a Director of the Company since December 17, 2014. Mr. Rose now serves as CEO of Value Creation Strategies Holdings, LLC, an investment company focused on value creation through data analytics technologies. Formerly Mr. Rose was the Vice Chairman and CEO, of Decisyon, Inc., a company which accelerates business process improvement through the combination of collaborative business intelligence technologies and IoT analytics. Prior to Decisyon, Mr. Rose served as Senior Vice President of Dell.com at Dell Inc., where he ran a multi-billion dollar B2B business unit. Prior to Dell, Mr. Rose served as Chief Information Officer of Priceline.com for eleven years during which time the company successfully made the transition from a pre-IPO startup to a multi-billion dollar global travel company. Mr. Rose began his career at Delta Air Lines focusing on transaction systems. Mr. Rose holds a Bachelor of Science degree from Tulane University and the University of Aberdeen Scotland. Mr. Rose received a Master's of Science in Information Technology from the Georgia Institute of Technology. Mr. Rose is a private pilot. Mr. Rose's experience as CEO of a software company in the data analytics and collaborative decision making technology sector allows him to bring valuable insight and knowledge to the Board.
John R. Keller	Mr. Keller serves as Executive Vice President of the Company, a position he has held since the Company's inception in 1967 as one of the co-founders. Mr. Keller has also been a Director of the Company since 1997. Mr. Keller received his bachelor's and master's degrees in electrical engineering from New York University in 1960 and 1962, respectively. Mr. Keller's knowledge of the Company through his service as a Director and Executive Vice President of the Company allows him to bring valuable insight and knowledge to the Board.
James T. Barry	Mr. Barry was named Chief Executive Officer of the Company in February 2003 and President in April 2003. Since Mr. Barry joined the Company in 1998, he has held the positions of Chief Operating Officer, Chief Financial Officer, Secretary, and Executive Vice President. Mr. Barry has also been a Director of the Company since 2000. From 1998 to 2006 Mr. Barry was a Vice President of Field Point Capital Management Company. From 1989 to 1998, he was with DIANON Systems, Inc., most recently as Vice President of Marketing. Prior to DIANON, Mr. Barry was an officer in the United States Marine Corps. Mr. Barry's knowledge of the Company through his service as a Director, President, and Chief Executive Officer of the Company allows him to bring valuable insight and knowledge to the Board.
Louis J. Petrucelly	Mr. Petrucelly joined the Company as Senior Vice President, Chief Financial Officer, Treasurer and Secretary in October 2016. Mr. Petrucelly has more than 15 years of experience in multi-dimensional corporate finance, operations, and accounting. Previously, Mr. Petrucelly spent almost 10 years at FalconStor Software, Inc., a leading software-defined storage data services company, serving most recently as Executive Vice President, Chief Financial Officer, and Treasurer since August 2012. Mr. Petrucelly joined FalconStor Software, Inc. in March 2007 and held several senior financial positions. Prior to FalconStor Software, Inc., Mr. Petrucelly spent time in senior financial positions at both Granite Broadcasting Corporation and PASSUR Aerospace, Inc. He began his career with Ernst & Young, LLP. Mr. Petrucelly received his B.S. from the C.W. Post Campus of Long Island University.

(f) Involvement in Certain Legal Proceedings

The Company knows of no event which occurred during the past ten years and which is described in Item 401(f) of Regulation S-K relating to any director or executive officer of the Company.

(g) Identification of Audit Committee

Our Board of Directors has appointed an Audit Committee, consisting of four directors. All of the members of the Audit Committee are independent of our Company and management, as independence is defined under applicable Financial Industry Regulatory Authority ("FINRA") rules. The Audit Committee consists of Mr. Graziani, Mr. Ekert, Mr. Haver, and Mr. Stafford.

(h) Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Graziani, Chairman of the Company's Audit Committee, meets the Securities and Exchange Commission's criteria of an "audit committee financial expert" as set forth in item 407(d)(5)(ii) of Regulation S-K. Mr. Graziani acquired the attributes necessary to meet such criteria by holding positions that provided relevant experience. Mr. Graziani is independent, as defined under applicable FINRA rules.

(i) Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, executive officers, and 10% stockholders to file reports of ownership and reports of change in ownership of the Company's Common Stock and other equity securities with the Securities and Exchange Commission. Directors, executive officers, and 10% stockholders are required to furnish the Company with copies of all Section 16(a) forms they file. Based on a review of the copies of such reports furnished, the Company believes that during the fiscal year ended October 31, 2016, the Company's directors, executive officers, and 10% stockholders filed on a timely basis all reports required by Section 16(a) of the Exchange Act.

(j) Board Nominations by Shareholders

There have not been any material changes to the procedures by which the Company's stockholders may recommend nominees to the Company's board of directors, as disclosed in the definitive proxy statement on Schedule 14A, filed on February 25, 2016, by the Company with the Securities and Exchange Commission in connection with the Company's 2016 Annual Meeting of Stockholders.

(k) Code of Ethics

The Company hereby incorporates by reference into this Item the information contained under the heading "Code of Ethics" in the Company's definitive proxy statement that will be filed with the Securities and Exchange Commission within 120 days of October 31, 2016 (the "2017 Proxy Statement").

Item 11. Executive Compensation

The Company hereby incorporates by reference into this Item the information contained under the heading "Executive Compensation" in the 2017 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The Company hereby incorporates by reference into this Item the information contained under the heading "Security Ownership of Certain Beneficial Owners and Management" in the 2017 Proxy Statement.

For information regarding securities authorized for issuance under the Company's equity compensation plans, see Item 5(d), above.

Item 13. Certain Relationships and Related Transactions

(a) Transactions with Related Persons

During fiscal year 2016, the Company paid interest to G.S. Beckwith Gilbert, the Company's significant shareholder and Chairman, of $183,000, representing the entire fiscal year 2016 interest due, thereby meeting the payment requirements of the loan agreement. During fiscal year 2016, the Company made $800,000 in principal payments, bringing the principal amount of the note payable due to G.S. Beckwith Gilbert to $2,700,000 on October 31, 2016.

During fiscal year 2015, the Company paid interest to G.S. Beckwith Gilbert of $225,000, representing the entire fiscal year 2015 interest due, thereby meeting the payment requirements of the loan agreement. During fiscal year 2015, the Company made $365,000 in principal payments, bringing the principal amount of the note payable due to G.S. Beckwith Gilbert to $3,500,000 on October 31, 2015.

On January 6, 2017, the Company entered into a Third Debt Extension Agreement with G.S. Beckwith Gilbert, 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 $2,700,000. 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 at October 31 of each year. The note payable is secured by the Company's assets.

During fiscal year 2016, the Company paid the son of an Executive Vice President and Director approximately $17,000 as a consultant to assist in the installation and maintenance of the PASSUR Network.

(b) Director Independence

The Board of Directors had determined, after considering all the relevant facts and circumstances, that all named directors, except for Mr. Gilbert, Mr. Barry, and Mr. Keller, are independent directors, as "independence" is defined in accordance with the FINRA standards.

Item 14. Principal Accounting Fees and Services

The Company hereby incorporates by reference into this Item the information contained under the heading "Principal Accounting Fees and Services" in the 2017 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(c) Index to Exhibits

The following exhibits are required to be filed with this Annual Report on Form 10-K by Item 15(a)(3).

Exhibits

3.1	The Company's composite Certificate of Incorporation, dated as of January 24, 1990, is incorporated by reference from our Annual Report on Form 10-K for the fiscal year ended October 31, 1989.
3.2	The Company's By-laws, dated as of May 16, 1988, are incorporated by reference to Exhibit 3-14 to our Annual Report on Form 10-K for the fiscal year ended October 31, 1998.
10.1	The Company's Amended 1999 Stock Incentive Plan is incorporated by reference to Exhibit 10.3 of our Report on Form 8-K filed on April 17, 2006.
10.2	Form of Securities Purchase Agreement, dated May 9, 2011 is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 9, 2011.
10.3	Debt Conversion Agreement and Secured Promissory Note, dated May 9, 2011 is incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 9, 2011.
10.4	Amendment No.1 to Secured Promissory Note, dated September 6, 2011 is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 7, 2011.
10.5	Commitment of G.S. Beckwith Gilbert, dated March 6, 2013 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on March 14, 2013.
10.6	Commitment of G.S. Beckwith Gilbert, dated June 10, 2013 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 13, 2013.
10.7	Commitment of G.S. Beckwith Gilbert, dated September 5, 2013 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on September 13, 2013.
10.8	Commitment of G.S. Beckwith Gilbert, dated January 16, 2014 is incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K for the fiscal year ended October 31, 2013
10.9	Commitment of G.S. Beckwith Gilbert, dated March 7, 2014 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on March 13, 2014.
10.10	Commitment of G.S. Beckwith Gilbert, dated June 11, 2014 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 12, 2014.
10.11	Debt Extension Agreement, dated June 11, 2014 is incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on June 12, 2014.
10.12	Secured Promissory Note, dated June 11, 2014 is incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on June 12, 2014.
10.13	Commitment of G.S. Beckwith Gilbert, dated September 9, 2014 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on September 12, 2014.
10.14*	Debt Extension Agreement, dated as of January 6, 2017, by and between PASSUR Aerospace, Inc. and G. S. Beckwith Gilbert.
10.15*	Secured Promissory Note, dated as of January 6, 2017, from PASSUR Aerospace, Inc., as Borrower, to G. S. Beckwith Gilbert, as Lender.

21	List of Subsidiaries is incorporated by reference to our Annual Report on Form 10-K report for the fiscal year ended October 31, 1981.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer 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.
31.2*	Certification of Chief Financial Officer 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.
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.
99.1 *	Change of Control Agreement between the Company and Louis J. Petrucelly dated January 6, 2017.
101.ins**	XBRL Instance
101.xsd**	XBRL Schema
101.cal**	XBRL Calculation
101.def**	XBRL Definition
101.lab**	XBRL Label
101.pre**	XBRL Presentation

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* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: January 9, 2017	By:	/s/ James T. Barry James T. Barry President and Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Dated: January 9, 2017	/s/ James T. Barry James T. Barry President and Chief Executive Officer and Director (Principal Executive Officer)
Dated: January 9, 2017	/s/ Louis J. Petrucelly Louis J. Petrucelly Chief Financial Officer, Treasurer, and Secretary (Principal Financial and Accounting Officer)

SIGNATURES (continued)

Dated: January 9, 2017	/s/ G.S. Beckwith Gilbert G.S. Beckwith Gilbert Executive Chairman of the Board and Director
Dated: January 9, 2017	/s/ John R. Keller John R. Keller Executive Vice President and Director
Dated: January 9, 2017	/s/ Paul L. Graziani Paul L. Graziani Director
Dated: January 9, 2017	/s/ Kurt J. Ekert Kurt J. Ekert Director
Dated: January 9, 2017	/s/ Peter L. Bloom Peter L. Bloom Director
Dated: January 9, 2017	/s/ Richard L. Haver Richard L. Haver Director
Dated: January 9, 2017	/s/ Robert M. Strafford Robert M. Stafford Director
Dated: January 9, 2017	/s/ Ronald V. Rose Ronald V. Rose Director

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
PASSUR Aerospace, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of PASSUR Aerospace, Inc. and Subsidiary as of October 31, 2016 and 2015 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PASSUR Aerospace, Inc. and Subsidiary at October 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Melville, New York
January 9, 2017

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Balance Sheets

October 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash	$ 1,523,655	$ 925,508
Accounts receivable, net	1,073,498	1,234,986
Deferred tax asset, current	418,889	551,671
Prepaid expenses and other current assets	217,410	157,930
Total current assets	3,233,452	2,870,095
PASSUR Network, net	5,739,753	5,902,751
Capitalized software development costs, net	8,263,533	7,684,603
Property and equipment, net	1,187,158	1,353,532
Deferred tax asset, non-current	1,250,833	1,658,557
Other assets	208,755	239,861
Total assets	$ 19,883,484	$ 19,709,399
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 356,387	$ 880,819
Accrued expenses and other current liabilities	936,272	977,900
Deferred revenue, current portion	3,140,292	2,680,244
Total current liabilities	4,432,951	4,538,963
Deferred revenue, long term portion	423,346	197,336
Notes payable – related party	2,700,000	3,500,000
	7,556,297	8,236,299
Commitment and contingencies		
Stockholders' equity:		
Preferred shares – authorized 5,000,000 shares, par value $0.01 per share; none issued or outstanding	-	-
Common shares – authorized 10,000,000 shares, par value $0.01 per share; issued 8,465,526 and outstanding 7,690,199 in fiscal year 2016; issued 8,428,526 and outstanding 7,653,199 in fiscal year 2015	84,654	84,284
Additional paid–in capital	16,082,865	15,663,796
Accumulated deficit	(1,944,904)	(2,379,552)
	14,222,615	13,368,528
Treasury stock, at cost, 775,327 and 775,327 shares in fiscal years 2016 and 2015	(1,895,428)	(1,895,428)
Total stockholders' equity	12,327,187	11,473,100
Total liabilities and stockholders' equity	$ 19,883,484	$ 19,709,399

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Income

Years Ended October 31, 2016 and 2015

	2016	2015
Revenues	**$ 14,892,495**	$ 12,538,059
Cost and expenses:		
Cost of revenues	**6,377,104**	5,433,122
Research and development	**826,227**	724,683
Selling, general, and administrative expenses	**6,481,260**	5,478,454
	13,684,591	11,636,259
Income from operations	**1,207,904**	901,800
Interest expense – related party	**183,333**	224,542
Income before income taxes	**1,024,571**	677,258
Income tax expense	**589,923**	397,994
Net income	**$ 434,648**	$ 279,264
Net income per common share – basic	**$ 0.06**	$ 0.04
Net income per common share – diluted	**$ 0.06**	$ 0.04
Weighted average number of common shares outstanding – basic	**7,679,696**	7,648,612
Weighted average number of common shares outstanding – diluted	**7,730,566**	7,775,474

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Stockholders' Equity

Years Ended October 31, 2016 and 2015

	Shares	Common stock	Additional paid-in capital	Accumulated deficit	Treasury stock	Total stockholders' equity
Balance at November 1, 2014	7,529,026	$ 82,255	$ 15,273,524	$ (2,658,816)	$ (1,623,475)	$ 11,073,488
Exercise of common stock options	203,000	2,029	49,091			51,120
Purchase of treasury stock	(78,827)				(271,953)	(271,953)
Stock-based compensation expense			341,181			341,181
Net income				279,264		279,264
Balance at October 31, 2015	**7,653,199**	**$ 84,284**	**$ 15,663,796**	**$ (2,379,552)**	**$ (1,895,428)**	**$ 11,473,100**
Exercise of common stock options	**37,000**	**370**	**17,850**			**18,220**
Stock-based compensation expense			**401,219**			**401,219**
Net income				**434,648**		**434,648**
Balance at October 31, 2016	**7,690,199**	**$ 84,654**	**$ 16,082,865**	**$ (1,944,904)**	**$ (1,895,428)**	**$ 12,327,187**

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended October 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net income	$ 434,648	$ 279,264
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,341,349	3,055,214
Provision for deferred taxes	540,505	362,143
Provision (recovery) of doubtful accounts receivable	5,982	16,950
Stock-based compensation expense	401,219	341,181
Changes in operating assets and liabilities:		
Accounts receivable	155,506	116,822
Prepaid expenses and other current assets	(120,260)	(47,090)
Other assets	31,106	(97,380)
Accounts payable	(524,432)	230,165
Accrued expenses and other current liabilities	(41,628)	144,609
Deferred revenue	686,058	807,029
Total adjustments	4,475,405	4,929,643
Net cash provided by operating activities	4,910,053	5,208,907
Cash flows from investing activities		
PASSUR Network	(776,138)	(1,489,117)
Capitalized software development costs	(2,423,811)	(2,401,994)
Property and equipment	(330,177)	(455,302)
Net cash used in investing activities	(3,530,126)	(4,346,413)
Cash flows from financing activities		
Repayments of notes payable – related party	(800,000)	(364,880)
Purchase of treasury stock	-	(271,953)
Proceeds from exercise of stock options	18,220	51,120
Net cash used in financing activities	(781,780)	(585,713)
Increase in cash	598,147	276,781
Cash – beginning of year	925,508	648,727
Cash – end of year	$ 1,523,655	$ 925,508
Supplemental cash flow information		
Cash paid during the year for:		
Interest – related party	$ 183,000	$ 225,000
Income taxes	$ 62,000	$ 35,000

See accompanying notes to consolidated financial statements.

1. Description of Business and Significant Accounting Policies

Nature of Business

The Company is a 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's mission is to improve global air traffic efficiencies by connecting the world's aviation professionals onto a single aviation intelligence platform. The Company believes it operates in one operating segment.

Basis of Presentation

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

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

Revenue Recognition Policy

The Company recognizes revenue in accordance with FASB ASC 605-15, ("Revenue Recognition in Financial Statements") 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 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 and 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.

1. Description of Business and Significant Accounting Policies (continued)

Revenue Recognition Policy (continued)

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. Best estimate of selling price 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, installation costs associated with the deployment of additions to the Company owned PASSUR Network, 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 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Subsequent Events

Management has evaluated subsequent events after the balance sheet date, through the issuance of the financial statements, for appropriate accounting and disclosure.

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 $26,000 and $47,000 as of October 31, 2016, and 2015, 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 the provision is adequate.

1. Description of Business and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of the related assets. Amortization of leasehold improvements is calculated on a straight-line basis over the estimated useful life of the improvements or the term of the lease, including renewal options expected to be exercised, whichever is shorter.

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. 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. PASSUR and SMLAT Systems which are not installed, raw materials, work-in-process, and finished goods components are carried at cost and no depreciation is recorded.

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 records amortization of the software on a straight-line basis over the estimated useful life of the software, typically five years.

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 revised life. As of October 31, 2016, and 2015 based upon management's evaluation of the above asset groups, there is no impairment of these asset groups.

Cost of Revenues

Costs associated with subscription and maintenance revenues consist primarily of direct labor, depreciation of PASSUR and 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 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.

1. Description of Business and Significant Accounting Policies (continued)

Income Taxes

The Company follows the liability method of accounting for income taxes. Deferred income taxes are recorded to reflect the temporary differences in the tax bases of the assets or liabilities and their reported amounts in the financial statements. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount currently estimated to be realized. The Company follows ASC 740, "Income Taxes," where tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in tax returns that do not meet these recognition and measurement standards. At October 31, 2016 and 2015, the Company did not have any uncertain tax positions or a valuation allowance. As permitted by ASC 740-10, the Company's accounting policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision.

Research and Development Costs

Research and development costs are expensed as incurred.

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. Shares used to calculate net income per share for fiscal years 2016 and 2015 are as follows:

	2016	2015
Basic weighted average shares outstanding	**7,679,696**	7,648,612
Effect of dilutive stock options	**50,870**	126,862
Diluted weighted average shares outstanding	**7,730,566**	7,775,474
Weighted average shares which are not included in the calculation of diluted net income per share because their impact is anti-dilutive		
Stock options	**1,182,000**	900,000

Weighted average options to purchase 1,182,000 and 900,000 shares of common stock at prices ranging from $1.40 to $5.00 per share that were outstanding during fiscal years 2016 and 2015 were excluded from each respective year's computation of diluted earnings per share. In each of these years, such options' exercise prices exceeded the average market price of our common stock, thereby causing the effect of such options to be anti-dilutive.

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.

1. Description of Business and Significant Accounting Policies (continued)

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 shareholder, 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 asset, their carrying values are reduced to estimated fair value.

Stock-Based Compensation

The Company follows FASB ASC 718 "Compensation-Stock Compensation", which requires measurement of compensation cost for all stock-based awards at fair value on 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 $401,000 and $341,000 in fiscal years 2016 and 2015, respectively, and was primarily included in selling, general, and administrative expenses.

Comprehensive Income

The Company's comprehensive income is equivalent to that of the Company's total net income for fiscal years 2016 and 2015.

Accounting Pronouncements issued but not yet adopted

In August 2016, the FASB issued new guidance on presentation and classification of eight specific items within the statement of cash flows, including (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. This update is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017, which for the Company will be the beginning of the annual period ending October 31, 2019. Early adoption, including adoption in an interim period, is permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

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 beginning of 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 February 2016, the FASB issued new guidance on leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This new guidance will replace existing guidance on leases in accounting principles generally accepted in the United States when it becomes effective. The new standard is effective for the annual period beginning after December 15, 2018, including interim reporting periods within that period, which for the Company will be the annual period ending October 31, 2020. Early application is permitted. The standard requires the use of a modified retrospective transition method; however, certain optional practical expedients may be applied. The Company is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued new guidance on the recognition, measurement, presentation and disclosure of financial assets and financial liabilities. The standard (i) requires an entity to measure equity investments, except those accounted for under the equity method of accounting or those that result in consolidation of the investee, at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring an entity to perform a qualitative assessment to identify impairment, (iii) changes certain presentation and disclosure requirements related to financial assets and financial liabilities, and (iv) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, which for the Company will be the annual period ending October 31, 2019. Early adoption, including adoption in an interim period, is not permitted except for certain amendments in this update. 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 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 May 2014, the FASB issued new guidance which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance will replace most existing revenue recognition guidance in Generally Accepted Accounting Principles in the United States when it becomes effective. 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.

2. Property and Equipment

Property and equipment consist of the following as of October 31, 2016 and 2015:

	Estimated useful lives	2016	2015
Leasehold improvements	3-5 years	$ 216,000	$ 207,000
Equipment	5-10 years	5,727,000	5,431,000
Furniture and fixtures	5-10 years	563,000	538,000
		6,506,000	6,176,000
Less accumulated depreciation		5,319,000	4,822,000
Total		$ 1,187,000	$ 1,354,000

The Company recorded depreciation expense on the assets included in Property and equipment of $496,000 and $425,000 for fiscal years 2016 and 2015, respectively.

3. PASSUR Network

PASSUR Network consist of the following as of October 31, 2016 and 2015:

	2016	2015
PASSUR Network, beginning balance	$ 18,360,000	$ 16,871,000
Additions	776,000	1,489,000
Total capitalized PASSUR Network costs	19,136,000	18,360,000
Less accumulated depreciation	13,396,000	12,457,000
PASSUR Network, ending balance, net	$ $ 5,740,000	$ 5,903,000

The Company capitalized $776,000 and $1,489,000 of costs to the PASSUR Network during fiscal years 2016 and 2015, respectively. Depreciation expense related to the Company-owned PASSUR Network was $939,000 and $1,015,000 in fiscal years 2016 and 2015, respectively. Depreciation is charged to cost of revenues and is calculated using the straight-line method over the estimated useful life of the asset, which is estimated at seven and five years for PASSUR and SMLAT systems, respectively.

The net carrying balance of the PASSUR Network as of October 31, 2016 and October 31, 2015, was $5,740,000 and $5,903,000, respectively. Included in the net carrying balance as of October 31, 2016, were parts and finished goods for PASSUR and SMLAT Systems totaling $1,000,000 and $1,767,000, respectively, which have not yet been installed. As of October 31, 2015, $1,188,000 and $1,625,000 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.

As of October 31, 2016, depreciation expense for the PASSUR Network assets where depreciation has commenced is estimated to approximate $739,000, $576,000, $506,000, $435,000, and $191,000, for the fiscal years ended October 31, 2017, 2018, 2019, 2020 and 2021, respectively. The Company did not dispose of or record any impairments related to any of the PASSUR Network assets in fiscal years 2016 or 2015.

During fiscal year 2016, the Company paid the son of an Executive Vice President and Director approximately $17,000 as a consultant to assist in the installation and maintenance of the PASSUR Network.

4. Capitalized Software Development Costs

PASSUR Software Development costs consist of the following as of October 31, 2016 and 2015:

	2016	2015
Software development costs, beginning balance	**$ 15,415,000**	$ 13,013,000
Additions	**2,424,000**	2,402,000
Total capitalized software development costs	**17,839,000**	15,415,000
Less accumulated amortization	**9,575,000**	7,730,000
Software development costs, ending balance, net	**$ 8,264,000**	$ 7,685,000

The Company's capitalization of software development projects was $2,424,000 and $2,402,000 in fiscal years 2016 and 2015. Amortization related to capitalized software development projects was $1,845,000 and $1,562,000 in fiscal years 2016 and 2015, respectively.

As of October 31, 2016, amortization expense for capitalized software development costs where amortization has commenced is estimated to approximate $2,121,000, $2,058,000, $1,590,000, $1,409,000, and $896,000, for the fiscal years ended October 31, 2017, 2018, 2019, 2020 and 2021, respectively. As of October 31, 2016, the Company had $2,140,000 of capitalized software development costs relating to projects in development which are not yet subject to amortization. The Company did not record any impairments related to capitalized software development projects in fiscal years 2016 or 2015.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following as of October 31, 2016 and 2015:

	2016	2015
Payroll, payroll taxes, and benefits	**$ 513,000**	$ 628,000
Professional fees	**148,000**	152,000
Travel expenses	**142,000**	94,000
Other liabilities	**133,000**	104,000
Total	**$ 936,000**	$ 978,000

Effective for the Company’s fiscal year 2017, the Company converted its vacation policy to no longer allow for unused vacation days to be carried forward to future periods or paid if an employee separates from the Company. As a result of the change to the Company’s vacation policy, the Company no longer has an accrued vacation obligation and reversed the related accrual of $414,000 of which $176,000, $43,000, and $195,000 was recorded in cost of sales, research and development, and general and administrative expenses, respectively, in the accompanying consolidated income statement.

6. Notes Payable

During fiscal year 2016, the Company paid interest to G.S. Beckwith Gilbert of $183,000, representing the entire fiscal year 2016 interest due, thereby meeting the payment requirements of the loan agreement. During fiscal year 2016, the Company made $800,000 in principal payments, bringing the principal amount of the note payable due to G.S. Beckwith Gilbert to $2,700,000 on October 31, 2016.

During fiscal year 2015, the Company paid interest to G.S. Beckwith Gilbert of $225,000, representing the entire fiscal year 2015 interest due, thereby meeting the payment requirements of the loan agreement. During fiscal year 2015, the Company made $365,000 in principal payments, bringing the principal amount of the note payable due to G.S. Beckwith Gilbert to $3,500,000 on October 31, 2015.

6. Notes Payable (continued)

On January 6, 2017, the Company entered into a Third Debt Extension Agreement with G.S. Beckwith Gilbert, 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 $2,700,000. 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 at October 31 of each year. The note payable is secured by the Company's assets.

7. Leases

The Company's headquarters, located in Stamford, Connecticut, are subject to a lease through January 31, 2018, at an average annual rental rate of $234,000. The Company's software development and manufacturing facility, located in Bohemia, New York, is subject to a lease through October 31, 2017, at an average annual rental rate of $134,000. These leases provide for additional payments of real estate taxes and other operating expenses over the base amount in the rental agreement. Other short-term operating leases are included below. All other operating leases are under a month-to-month arrangement. Rent expense, which includes utilities, was $590,000 and $439,000 for fiscal years 2016 and 2015, respectively.

Fiscal Year Ended October 31:	Contractual obligations under operating leases
2017	$ 431,000
2018	122,000
2019	65,000
2020	72,000
Thereafter	61,000
Total minimum contractual obligations	$ 751,000

8. Income Taxes

The Company's provision for income taxes in each fiscal year consists of current federal, state, and local minimum taxes.

A reconciliation of the U.S statutory tax rate to the Company's effective tax rate for fiscal years 2016 and 2015 is as follows:

	2016		2015	
	Amount	**Percent**	Amount	Percent
U.S. statutory tax	**$ 349,000**	**34.0%**	$ 230,000	34.0%
Stock compensation	**125,000**	**12.2**	82,000	12.1
Meals and entertainment	**14,000**	**1.4**	16,000	2.3
State tax, net of federal benefit	**102,000**	**9.9**	70,000	10.4
Income tax expense (benefit), net	**$ 590,000**	**57.6%**	$ 398,000	58.8%

The effective tax rate for fiscal year 2016 was 57.6%, as compared to 58.8% in fiscal year 2015. The statutory income tax expense at 34% for fiscal year 2016 was $349,000. This varies from actual income tax expense of $590,000 primarily due to permanent differences of meals and entertainment and ISO stock compensation of $139,000, state income of taxes of $33,000 (net of federal benefit), and a change to the state deferred tax rate of $69,000.

8. Income Taxes (continued)

The tax effect of temporary differences that give rise to deferred tax assets and liabilities as of October 31, 2016 and 2015 is as follows:

	2016	2015
Deferred tax assets and liabilities:		
Net operating loss carry-forward	$ 1,894,000	$ 2,481,000
Accrued vacation	-	133,000
Allowance for doubtful accounts receivable	19,000	18,000
Stock compensation-nonqualified	198,000	186,000
Depreciation	(441,000)	(608,000)
Deferred tax assets and liabilities	$ 1,670,000	$ 2,210,000

In accordance with accounting standards, the Company has not recorded a deferred tax asset related to the net operating losses resulting from the exercise of disqualifying stock options in the accompanying financial statements. The cumulative amount of unrecognized tax benefits from the exercise of stock options at October 31, 2016 was approximately $1,485,000, and if the Company is able to utilize this benefit in the future, it would result in a credit to additional paid-in capital.

The income tax expense for fiscal years ended October 31, 2016 and 2015 is as follows:

	2016	2015
Current:		
Federal	$ -	$ -
State	50,000	36,000
Income tax provision-current	$ 50,000	$ 36,000
Deferred:		
Federal	$ 471,000	$ 316,000
State	69,000	46,000
Total income tax expense (benefit), net	$ 590,000	$ 398,000

At October 31, 2016, the Company had available a federal net operating loss carry-forward of $6,341,000 for income tax purposes, which will expire in various tax years from fiscal year 2022 through fiscal year 2033. The Company evaluates whether a valuation allowance related to deferred tax assets is required each reporting period. A valuation allowance is established if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized. At October 31, 2015, the Company had available a federal net operating loss carry-forward of $7,847,000 for income tax purposes, which will expire in various tax years from fiscal year 2022 through fiscal year 2033.

At October 31, 2016 and 2015, the Company did not have any uncertain tax positions. As permitted by ASC 740-10, the Company's accounting policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision. The Company's tax return years that are subject to examination by taxing authorities are fiscal years 2013 through 2016.

9. Stock-Based Compensation

In fiscal year 2009, the Company's Board of Directors approved the Company's 2009 stock option plan, which provides for the granting of stock options for up to 500,000 shares of the Company's common stock. During fiscal year 2010, the plan was amended to provide for the granting of another 500,000 stock option shares, for a total provision of 1,000,000 stock option shares of the Company's common stock as of October 31, 2010. During fiscal year 2011, the plan was amended for the granting of another 500,000 stock option shares, for a total provision of 1,500,000 stock option shares of the Company's common stock as of October 31, 2016, and 2015.

The Black-Scholes stock option valuation model was developed for use in estimating the fair value of traded stock options, which have no vesting restrictions and are fully transferable. In addition, stock option valuation models require the input of highly subjective assumptions including expected stock price volatility.

Information with respect to the Company's stock options for fiscal years 2016 and 2015 is as follows:

	Number of stock options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Stock options outstanding at November 1, 2014	916,500	$ 2.64	**5.0**	**$ 1,405,000**
Stock options granted	472,500	$ 3.22		
Stock options exercised	(203,000)	$ 0.25		
Outstanding at October 31, 2015	**1,186,000**	**$ 3.27**	**6.7**	**$ 293,000**
Stock options granted	**240,000**	**$ 3.41**		
Stock options exercised	**(37,000)**	**$ 0.49**		
Stock options forfeited	**(60,000)**	**$ 2.49**		
Stock options outstanding at October 31, 2016	**1,329,000**	**$ 3.42**	**3.9**	**$ 130,000**
Stock options exercisable at October 31, 2016	**631,000**	**$ 3.51**	**5.2**	**$ 126,000**

The weighted average grant date fair value of the Company's stock options granted during fiscal years 2016 and 2015 was $3.41 and $3.22, respectively. The total intrinsic value of stock options exercised was $77,000 and $558,000 during fiscal years 2016 and 2015, respectively.

The Company's stock options vest over a period of five years. The fair value for these stock options was estimated at the date of grant using a Black-Scholes stock option pricing model, with the following weighted average assumptions for fiscal years 2016 and 2015:

	Years ended December 31,	
	2016	2015
Expected dividend yield	0%	0%
Expected volatility	117%	117%
Risk-free interest rate	1.41-1.85%	1.18 - 2.10%
Expected term (years)	4.9 - 6.5	5.4 - 5.5
Discount for post-vesting restrictions	N/A	N/A

Notes to Consolidated Financial Statements (continued)

9. Stock-Based Compensation (continued)

The Company recognized share-based compensation expense for all awards issued under the Company's stock equity plans in the following line items in the consolidated statement of operations:

	2016	2015
Cost of revenues	$ 25,000	$ 59,000
Research and development	122,000	49,000
Selling, general and administrative	254,000	233,000
	$ 401,000	$ 341,000

The following table summarizes the plans under which the Company granted equity compensation as of October 31, 2016:

Name of Plan	Shares Authorized	Shares Available for Grant	Shares Outstanding	Last Date for Grant of Shares
PASSUR Aerospace, Inc., 2009 Stock Incentive Plan	1,500,000	228,000	1,272,000	February 24, 2019

The following table summarizes the Company's equity plans that have expired but that still have equity awards outstanding as of October 31, 2016:

Name of Plan	Shares Available for Grant	Shares Outstanding
PASSUR Aerospace, Inc., 1999 Stock Incentive Plan	—	57,000

All outstanding options granted under the Company's equity plans have terms of ten years. The Company's stock options vest over a period of five years.

There was $1,857,000 of unrecognized stock-based compensation costs expected to be recognized over a weighted average period of 3.9 years as of October 31, 2016. The Company had 708,000 shares in unvested stock-based options as of October 31, 2016.

10. Major Customers

The Company's principal business is to provide predictive analytics and decision support technology for the aviation industry to primarily improve the operational performance and cash flow of airlines. The Company believes it operates in one operating segment. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Credit losses historically have been immaterial.

Three customers accounted for 45%, or $6,698,000, of total revenues in fiscal year 2016. One customer accounted for 17% or $2,555,000, a second customer accounted for 17% or $2,460,000, and a third customer accounted for 11% or $1,683,000 of total revenues in fiscal year 2016. One of the Company's customers, who accounted for 11% of total revenues during fiscal year 2016, did not renew a contract that expired on December 31, 2016. Three customers accounted for 41%, or $5,094,000, of total revenues in fiscal year 2015. One customer accounted for 14% or $1,740,000, a second customer accounted for 13% or $1,692,000, and a third customer accounted for 13% or $1,662,000 of total revenues in fiscal year 2015. As of October 31, 2016, the Company had three customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 30%, or $330,000, a second customer accounted for 19%, or $213,000, and a third customer accounted for 14%, or $157,000. As of October 31, 2015, the Company had two customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 17%, or $215,000, and a second customer accounted for 15%, or $192,000. There were no significant past due accounts receivable balances for any customers as of the fiscal year ended October 31, 2016.

The Company had foreign sales of $220,000 and $162,000 in fiscal years 2016 and 2015, respectively. All sales, including foreign sales, are denominated in U.S. dollars.

DEBT EXTENSION AGREEMENT

This Agreement is made and entered into as of this 6th day of January 2017, by and between G. S. Beckwith Gilbert, of 35 Vista Drive, Greenwich, CT 06830 ("Lender"), and PASSUR Aerospace, Inc. (formerly MEGADATA CORPORATION), a New York corporation, with a principal place of business at One Landmark Square, Suite 1900, Stamford, CT 06901 ("Borrower" or "PASSUR Aerospace"):

WITNESSETH

WHEREAS, PASSUR Aerospace has issued a promissory note to Lender for value received; and

WHEREAS, Lender and PASSUR Aerospace desire to modify certain terms and conditions of the debt extension agreement that was signed on January 20, 2016 that extended the original note to November 1, 2017 (the "Second Replacement Note"), as of the date of this Agreement and issue a third replacement promissory note (the "Third Replacement Note") in exchange for the Second Replacement Note and other value received upon the terms and conditions set forth herein (the "Exchange"); and

WHEREAS, the total principal amount due and owing under the promissory note as of January 6, 2017 is $2,700,000;

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, the parties hereby agree as follows:

1. MODIFICATION OF PREVIOUS NOTES:

The Second Replacement Note shall be exchanged for the Third Replacement Note as set forth herein. Notwithstanding the foregoing, after the effectiveness of the Exchange, PASSUR Aerospace and the Lender agree that PASSUR Aerospace shall pay to Lender all of the accrued interest as of the date hereof under the Second Replacement Note, which is equal to $30,150, at the time of the issuance of the Third Replacement Note.

2. ISSUANCE AND TERMS OF THIRD REPLACEMENT NOTE; THE EXCHANGE:

For value received, on the date hereof, PASSUR Aerospace shall issue the Third Replacement Note to Lender in the aggregate principal amount of $2,700,000 in exchange for the Second Replacement Note. The Third Replacement Note will be in the form attached as Exhibit A hereto and will have the following terms:

(a) TERM. The principal amount of the Second Replacement Note, together with any and all accrued and unpaid interest thereon, shall be paid in full on or by November 1, 2018.

(b) INTEREST. The Third Replacement Note or any New Replacement Note shall bear interest on the unpaid principal amount, from the date of issuance until paid in full at maturity. Interest shall be payable at the annual rate of 6.0% from January 6, 2017 to November 1, 2018 payable in cash. Interest payments shall be made annually at October 31 of each year.

(c) PREPAYMENT TERMS. The Third Replacement Note or any New Replacement Note plus accrued interest may be prepaid in full at anytime without penalty.

(d) SECURITY INTEREST: The security interest previously conveyed to lender shall continue in full force and effect as an integral part of the Third Replacement Note, as described in section (b) of the Third Replacement Note.

3. MISCELLANEOUS.

(a) AMENDMENT AND MODIFICATION. This Agreement may be amended, modified and supplemented only by a written instrument signed by all of the parties hereto expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

(b) ENTIRE AGREEMENT. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

(c) SEVERABILITY. If any provision of this Agreement shall be determined to be invalid or unenforceable under law, such determination shall not affect the validity or enforceability of the remaining provisions of this Agreement.

(d) GOVERNING LAW; JURISDICTION. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules of such state.

(e) COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that both parties need not sign the same counterpart.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year written above.

PASSUR Aerospace, Inc.
One Landmark square, Suite 1900
Stamford, CT 06901

By: /s/James T. Barry
Name: James T. Barry
Title: President and Chief Executive Officer

By: /s/Louis J. Petrucelly
Name: Louis J. Petrucelly
Title: Chief Financial Officer

LENDER
G.S. Beckwith Gilbert
35 Vista Drive
Greenwich, CT 06830

By: /s/G.S. Beckwith Gilbert
Name: G.S. Beckwith Gilbert

SECURED PROMISSORY NOTE

$ 2,700,000

STAMFORD, CONNECTICUT
AS OF JANUARY 6, 2017

(a) For value received, PASSUR Aerospace, Inc. (formerly MEGADATA CORPORATION), a New York corporation (hereinafter referred to as "Borrower"), hereby unconditionally PROMISES TO PAY to the order of G.S. Beckwith Gilbert ("Lender"), or his permitted assigns, to an account designated by Lender, in lawful money of the United States of America and in immediately available funds, the principal sum of two million seven hundred thousand dollars ($2,700,000) together with interest on the unpaid principal amount of this Note. Interest shall be payable at the annual rate of 6.0% from January 6, 2017 to November 1, 2018 payable in cash. Interest payments shall be made annually at October 31 of each year.

The principal amount evidenced hereby will be repaid in full on November 1, 2018. All accrued and unpaid interest hereunder as of November 1, 2018, shall be payable on such date.

Notwithstanding the foregoing, the principal amount of the indebtedness evidenced hereby, together with all accrued interest, shall be immediately due and payable upon written notice to Borrower from Lender upon the happening of any of the following Events of Default:

(a) Any representation or warranty in the Securities Purchase Agreement, dated September 18, 1996, between Borrower and Lender shall be untrue or incorrect in any material respect;

(b) Any of the assets of Borrower shall be attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of Borrower and shall remain unstayed or undismissed for thirty (30) consecutive days; or any person other than Borrower shall apply for the appointment of a receiver, trustee or custodian for any of the assets of Borrower and shall remain unstayed or undismissed for thirty (30) consecutive days; or Borrower shall have concealed, removed or permitted to be concealed or removed, any part of its property, with the intent to hinder, delay or defraud its creditors or any of them or made or suffered a transfer of any of its property or the incurring of an obligation which may be fraudulent under any bankruptcy, fraudulent conveyance or other similar law;

(c) A case or proceeding shall have been commenced against Borrower in a court having competent jurisdiction seeking a decree or order in respect of Borrower (i) under title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of Borrower or of any substantial part of its properties, or (iii) ordering the winding-up or liquidation of the affairs of Borrower and such case or proceeding shall remain undismissed or unstayed for thirty (30) consecutive days or such court shall enter a decree or order granting the relief sought in such case or proceeding;

(d) Borrower shall (i) file a petition seeking relief under title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consent to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of Borrower or of any substantial part of its properties, (iii) fail generally to pay its debts as such debts become due, or (iv) take any corporate action in furtherance of any such action;

(e) Final judgment or judgments (after the expiration of all times to appeal therefrom) for the payment of money in excess of $100,000 in the aggregate shall be rendered against Borrower and the same shall not be vacated, stayed, bonded, paid or discharged for a period of thirty (30) days; or

(f) Any other event shall have occurred which would have a material adverse effect on Borrower or its assets or financial condition in Lender's reasonable judgment and Lender shall have given Borrower at least twenty (20) days notice thereof.

As security for any and all liabilities of the Borrower to Lender, now existing or hereafter arising hereunder, or otherwise, Lender is hereby given a lien upon and a security interest in any and all moneys or other property (i.e., goods and merchandise, as well as any and all documents relative thereto; also, funds, securities, chooses in action and any and all other forms of property whether real, personal or mixed, and any right, title or interest of the Borrower therein or thereto), and/or the proceeds thereof, including (without limitation of the foregoing) that in safekeeping or in which Borrower may have any interest. In the event of the happening of any one or more Events of Default, Lender shall have all of the rights and remedies provided to a secured party by the Uniform Commercial Code in effect in New York State at that time and, in addition thereto, the Borrower further agrees that (1) in the event that notice is necessary, written notice delivered to the Borrower at its principal executive offices ten business days prior to the date of public sale of the property subject to the lien and security interest created herein or prior to the date after which private sale or any other disposition of said property will be made shall constitute reasonable notice, but notice given in any other reasonable manner or at any other reasonable time shall be sufficient, (2) in the event of sale or other disposition of such property, Lender may apply the proceeds of any such sale or disposition to the satisfaction of Lenders reasonable attorneys' fees, legal expenses and other costs and expenses incurred in connection with the retaking, holding, preparing for sale, and selling of the property, and (3) without precluding any other methods of sale, the sale of property shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of banks disposing of similar property.

Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

This Note has been executed, delivered and accepted in the State of New York and shall be interpreted, governed by, and construed in accordance with, the laws of the State of New York.

PASSUR Aerospace, Inc.

By:/s/ Louis J. Petrucelly
Louis J. Petrucelly
Title: Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

The Board of Directors
PASSUR Aerospace, Inc. and Subsidiary

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-208590, 333-172472 and 333-161791, 333-156657) of PASSUR Aerospace, Inc. and Subsidiary of our report dated January 9, 2017, relating to the consolidated financial statements which appears in this Form 10-K.

/s/ BDO USA, LLP
Melville, New York
January 9, 2017

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James T. Barry, certify that:

1. I have reviewed this Annual Report on Form 10-K of PASSUR Aerospace, Inc.;

2. Based on my knowledge, this Annual 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 Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual 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 Annual 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this 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 controls 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: January 9, 2017

By:/s/ James T. Barry
James T. Barry
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Louis J. Petrucelly, certify that:

1. I have reviewed this Annual Report on Form 10-K of PASSUR Aerospace, Inc.;

2. Based on my knowledge, this Annual 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 Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual 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 Annual 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this 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 controls 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: January 9, 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 Annual Report of PASSUR Aerospace, Inc. (the "Company") on Form 10-K for the fiscal year ended October 31, 2016, 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
January 9, 2017

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 Annual Report of PASSUR Aerospace, Inc. (the "Company") on Form 10-K for the fiscal year ended October 31, 2016, 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
January 9, 2017

SEVERANCE FOLLOWING CHANGE OF CONTROL AGREEMENT

This Agreement (the "Agreement") is entered into as of the 6th day of January, 2017 by and between PASSUR Aerospace, Inc. (PASSUR) and Louis J. Petrucelly ("Petrucelly").

WHEREAS Petrucelly is employed by PASSUR, and because of such employment, possesses detailed knowledge of PASSUR and its business and operations;

WHEREAS Petrucelly's continued service to PASSUR is very important to the future success of PASSUR;

WHEREAS PASSUR desires to enter into this Agreement to provide Petrucelly with certain financial protection, as contemplated by Petrucelly's August 17, 2016 offer letter, in the event that Petrucelly's employment terminates under certain circumstances, and thereby to provide Petrucelly with incentives to remain with the Company; and

WHEREAS the Board of Directors of the Company (the "Board") acting through the Compensation Committee determined, in connection with the execution of Petrucelly's August 17, 2016 offer letter, that it was in the best interest of PASSUR to enter into this Agreement.

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PASSUR and Petrucelly agree as follows:

1. Definitions

(a) Cause As used in this Agreement, "Cause" shall include: (i) dishonesty with respect to PASSUR or any affiliate, parent or subsidiary of PASSUR; (ii) insubordination; (iii) malfeasance or nonfeasance of duty; (iv) unauthorized disclosure of confidential information; (v) breach of any non-compete and confidentiality or similar agreement ; or (vi) conduct prejudicial to the business of PASSUR or any affiliate, parent or subsidiary of PASSUR. The Board shall have sole discretion to determine the existence of "Cause," and its determination will be conclusive on Petrucelly and PASSUR; provided that the Board may delegate its power to act under this paragraph (a) to a committee of the Board in which case the determination of such committee shall be conclusive. "Cause" is not limited to events which have occurred prior to the termination of Petrucelly's service, nor is it necessary that the Board's finding of "Cause" occur prior to such termination. If the Board determines, subsequent to Petrucelly's termination of service, that either prior or subsequent to Petrucelly's termination Petrucelly engaged in conduct which would constitute "Cause," then Petrucelly shall have no right to receive or retain any benefit or compensation under this Agreement.

(b) Change of Control As used in this Agreement, a "Change of Control" shall mean the occurrence of any of the following events:

(i) Ownership Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of PASSUR representing fifty percent (50%) or more of the total voting power represented by PASSUR's then outstanding voting securities (excluding for this purpose any such voting securities held by PASSUR, or any affiliate, parent or subsidiary of PASSUR, or by any employee benefit plan of PASSUR) pursuant to a transaction or a series of related transactions which the Board does not approve; or

(ii) Merger/Sale of Assets (A) A merger or consolidation of PASSUR whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of PASSUR outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) at least fifty percent (50%) of the total voting power represented by the voting securities of PASSUR or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; (B) or the stockholders of PASSUR approve an agreement for the sale or disposition by PASSUR of all or substantially all of PASSUR's assets; or

(iii) Change in Board Composition A change in the composition of the Board, as a result of which less than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of PASSUR as of the date of this Agreement, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of Incumbent Directors, or by a committee of the Board made up of at least a majority of the Incumbent Directors, at the time of such election or nomination (but shall not include an individual whose election of nomination is in connection with an actual or threatened proxy contest relating to the election of directors to PASSUR).

(c) Good Reason As used in this Agreement, a "Good Reason" shall mean:

(i) A material reduction of Petrucelly's authority or responsibilities as compared, in each case compared to Petrucelly's authority or responsibilities on the date immediately preceding the Change of Control;

(ii) A reduction of Petrucelly's base salary or bonus earning potential not agreed to by Petrucelly as compared to Petrucelly's base salary or bonus earning potential immediately prior to the Change of Control; or

(iii) A change in the location of Petrucelly's primary workplace to a location that is further from Petrucelly's home than the location of Petrucelly's primary workplace immediately prior to Change in Control.

2. Change of Control Severance

In the event that a Change of Control occurs and within a period of twelve (12) months following the Change of Control, either:

(a) Petrucelly's employment is terminated by the succeeding company other than for Cause, or

(b) Petrucelly terminates Petrucelly's employment for Good Reason,

then, subject to Petrucelly's executing and permitting to take effect a full and general release of all claims against PASSUR and the succeeding company and all of its affiliates, parents or subsidiaries, and its and their officers, directors, employees, and agents, in a form satisfactory to PASSUR and the succeeding company, Petrucelly shall receive twelve months' base salary less all customary and required taxes, payable at PASSUR's sole discretion, in a lump sum or in installments in accordance with PASSUR's normal payroll practices.

3. No Impact On Employment Status

This Agreement is not intended to confer, and shall not be interpreted as conferring, any additional employment rights on Petrucelly, and has no impact on either party's right to terminate Petrucelly's employment under contract or applicable law.

4. Entire Agreement / No Duplication of Compensation or Benefits

This Agreement contains the entire agreement between PASSUR and Petrucelly with respect to the subject matter of this Agreement and supersedes all prior oral or written agreements, understandings and representations relating to the subject matter of this Agreement. No statement, representation, warranty, covenant or agreement of any kind not expressly set forth in this Agreement shall affect, or be used to interpret, change or restrict, the express terms and provisions of this Agreement. The terms of this Agreement shall replace any agreement, policy or practice which otherwise would obligate PASSUR to provide any severance compensation to Petrucelly, *provided* that this Agreement shall not be construed to limit *otherwise* Petrucelly's rights, if any, to payments or benefits under any pension plan, deferred compensation, stock, stock option or similar plan sponsored by PASSUR.

5. Modifications and Amendments

The terms and provisions of this Agreement may be modified or amended only by written agreement executed by PASSUR and Petrucelly.

6. Governing Law

This Agreement shall be construed in accordance with and governed by the law of the State of Connecticut, without giving effect to the conflict of law principles thereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year firs above written.

PASSUR AEROSPACE, INC.

By: /s/ James T. Barry
James T. Barry, President & CEO

/s/ Louis J. Petrucelly
Louis J. Petrucelly