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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period ended April 30, 2018

OR

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

For the transition period from _______ to _______

Commission file number 000-7642

PASSUR AEROSPACE, INC.
(Exact Name of Registrant as Specified in Its Charter)

New York	11-2208938
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
One Landmark Square, Suite 1900, Stamford, Connecticut	06901
(Address of Principal Executive Office)	(Zip Code)
Registrant's telephone number, including area code**:**	**(203) 622-4086**

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

There were 7,696,091 shares of the Registrant's common stock with a par value of $0.01 per share outstanding as of June 1, 2018.

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PASSUR Aerospace, Inc. and Subsidiary

PART I: Financial Information

Item 1. Financial Statements

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Balance Sheets

	April 30, 2018 (unaudited)	October 31, 2017 (1)
Assets		
Current assets:		
Cash	$ 369,408	$ 275,146
Accounts receivable, net	1,773,720	1,359,447
Prepaid expenses and other current assets	367,047	251,689
Total current assets	2,510,175	1,886,282
PASSUR Network, net	5,837,776	6,004,367
Capitalized software development costs, net	9,095,420	8,893,414
Property and equipment, net	699,431	852,147
Other assets	161,361	169,635
Total assets	$ 18,304,163	$ 17,805,845
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,038,380	$ 984,369
Accrued expenses and other current liabilities	1,354,751	1,273,170
Deferred revenue, current portion	4,086,551	2,824,885
Total current liabilities	6,479,682	5,082,424
Deferred revenue, long term portion	440,240	470,831
Note payable - related party	4,725,000	3,800,000
Other liabilities	56,351	-
Total liabilities	11,701,273	9,353,255
Commitments and contingencies		
Stockholders' equity:		
Preferred shares - authorized 5,000,000 shares, par value $0.01 per share; none issued or outstanding	-	-
Common shares - authorized 20,000,000 shares, respectively, par value $0.01 per share; issued 8,480,526 at April 30, 2018 and October 31, 2017, respectively	84,804	84,804
Additional paid-in capital	17,040,977	16,699,337
Accumulated deficit	(8,589,213)	(6,397,873)
	8,536,568	10,386,268
Treasury stock, at cost, 784,435 shares at April 30, 2018 and October 31, 2017, respectively	(1,933,678)	(1,933,678)
Total stockholders' equity	6,602,890	8,452,590
Total liabilities and stockholders' equity	$ 18,304,163	$ 17,805,845

(1) Certain April 30, 2017 balances have been restated from previously reported results. Please refer to Note 2 of the Company's Annual Report on Form 10-K for the year ended October 31, 2017.

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Operations

(Unaudited)

	Three months ended April 30, 2018	Three months ended April 30, 2017 (1)
Revenues	$ 3,501,842	$ 3,423,781
Cost of expenses:		
Cost of revenues	2,026,121	1,567,313
Research and development expenses	149,163	186,372
Selling, general, and administrative expenses	2,276,284	1,888,449
	4,451,568	3,642,134
Loss from operations	$ (949,726)	$ (218,353)
Interest expense - related party	70,088	40,050
Other loss	4,506	5,221
Loss before income taxes	(1,024,320)	(263,624)
Benefit for income taxes	-	(192,325)
Net loss	$ (1,024,320)	$ (71,299)
Net loss per common share - basic	$ (0.13)	$ (0.01)
Net loss per common share - diluted	$ (0.13)	$ (0.01)
Weighted average number of common shares outstanding - basic	7,696,091	7,692,913
Weighted average number of common shares outstanding - diluted	7,696,091	7,692,913

(1) Certain April 30, 2017 balances have been restated from previously reported results. Please refer to Note 2 of the Company's Annual Report on Form 10-K for the year ended October 31, 2017.

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Operations

(Unaudited)

	Six months ended April 30, 2018	Six months ended April 30, 2017 (1)
Revenues	$ 7,015,329	$ 7,039,337
Cost of expenses:		
Cost of revenues	4,265,421	3,249,087
Research and development expenses	303,829	413,852
Selling, general, and administrative expenses	4,497,113	3,706,983
	9,066,363	7,369,922
Loss from operations	$ (2,051,034)	$ (330,585)
Interest expense - related party	135,800	81,450
Other loss	4,506	5,221
Loss before income taxes	(2,191,340)	(417,256)
Benefit for income taxes	-	(295,390)
Net loss	$ (2,191,340)	$ (121,866)
Net loss per common share - basic	$ (0.28)	$ (0.02)
Net loss per common share - diluted	$ (0.28)	$ (0.02)
Weighted average number of common shares outstanding - basic	7,696,091	7,691,534
Weighted average number of common shares outstanding - diluted	7,696,091	7,691,534

(1) Certain April 30, 2017 balances have been restated from previously reported results. Please refer to Note 2 of the Company's Annual Report on Form 10-K for the year ended October 31, 2017.

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary

Consolidated Statements of Cash Flows

(Unaudited)

	Six months ended April 30, 2018	Six months ended April 30, 2017 (1)
Cash flows from operating activities		
Net loss	$ (2,191,340)	$ (121,866)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,713,176	1,480,248
Benefit for deferred taxes	-	(305,316)
Provision for doubtful accounts	-	2,485
Other liabilities	56,351	-
Stock-based compensation	341,640	254,661
Changes in operating assets and liabilities:		
Accounts receivable	(414,273)	(348,461)
Prepaid expenses and other current assets	(136,575)	(82,077)
Other assets	8,274	16,136
Accounts payable	54,011	324,633
Accrued expenses and other current liabilities	11,493	(131,453)
Accrued interest - related party	70,088	-
Deferred revenue	1,231,074	1,003,320
Total adjustments	2,935,259	2,214,176
Net cash provided by operating activities	743,919	2,092,310
Cash flows used in investing activities		
PASSUR Network	(185,444)	(434,078)
Software development costs	(1,302,349)	(1,242,839)
Property and equipment	(86,864)	(96,943)
Net cash used in investing activities	(1,574,657)	(1,773,860)
Cash flows from financing activities		
Proceeds from notes payable - related party	925,000	-
Net cash provided by financing activities	925,000	-
Increase in cash	94,262	318,450
Cash - beginning of period	275,146	1,523,655
Cash - end of period	$ 369,408	$ 1,842,105
Supplemental cash flow information		
Cash paid during the period for:		
Interest - related party	$ 65,713	$ 81,450
Income taxes	$ 1,245	$ 52,928

(1) Certain April 30, 2017 balances have been restated from previously reported results. Please refer to Note 2 of the Company's Annual Report on Form 10-K for the year ended October 31, 2017.

See accompanying notes to consolidated financial statements.

1. Nature of Business

PASSUR Aerospace, Inc. ("PASSUR" or the "Company"), a New York corporation founded in 1967, is a 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. PASSUR uses big data, within the aviation intelligence platform and a suite of web-based solutions that address the aviation industry's intractable and costly challenges, including, but not limited to, the underutilization of airspace and airport capacity, delays, cancellations, and diversions. The Company's technology platform is supported by its Aviation Intelligence Center of Excellence, a team of subject matter experts with extensive experience in airline, airport, and business aviation operations, finance, air traffic management, systems automation, and data visualization, with specific expertise in the operational and business needs, requirements, objectives, and constraints of the aviation industry.

PASSUR's mission is to improve global air traffic efficiencies by connecting the world's aviation professionals onto a single aviation intelligence platform, making PASSUR an element in addressing the aviation industry's 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 five largest North American airlines, more than 60 airport customers, including 21 of the top 30 North American airports (with PASSUR solutions also used at the remaining nine airports by one or more airline customers), hundreds of corporate aviation customers, and the U.S. government.

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

Solutions offered by PASSUR help to ensure flight completion, covering the entire flight life cycle, from gate to gate, and result in reductions in overall costs and carbon emissions, while helping to maximize 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") and Single European Sky ATM Research objectives.

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

2. Basis of Presentation and Significant Accounting Policies

The consolidated financial information contained in this quarterly report on Form 10-Q represents interim condensed financial data and, therefore, does not include all footnote disclosures required to be included in financial statements prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). Such footnote information was included in the Company's Annual Report on Form 10-K for the year ended October 31, 2017, filed with the Securities and Exchange Commission ("SEC"); the consolidated financial data included herein should be read in conjunction with that report. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's consolidated financial position as of April 30, 2018, and its consolidated results of operations for the three and six months ended April 30, 2018, and 2017.

The results of operations for the interim period stated above are not necessarily indicative of the results of operations to be recorded for the full fiscal year ended October 31, 2018.

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

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year's presentation.

Principles of Consolidation

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

Use of Estimates

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

Revenue Recognition Policy

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

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

Revenues generated from subscription agreements are recognized over the term of such executed agreements and/or the customer's receipt of such data or services. In accordance with ASC 605-15, the Company recognizes revenue when persuasive evidence of an arrangement exists which is evidenced by a signed agreement, the service has been deployed, as applicable, to its hosted servers, the fee is fixed 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.

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

From time to time, the Company will enter into an agreement with a customer to receive a one-time fee for rights including, but not limited to, the rights to use certain data at an agreed upon location(s) for a specific use and/or for an unlimited number of users, 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.

Cost of Revenues

Costs associated with subscription and maintenance revenues consist primarily of direct labor, depreciation of PASSUR and Surface Multilateration ("SMLAT") Network Systems, amortization of capitalized software development costs, communication costs, data feeds, 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 are impacted by: (1) the number of PASSUR and SMLAT Systems added to the PASSUR Network, which includes the cost of production, shipment, and installation of these assets, which are capitalized to the PASSUR Network; and (2) new capitalized costs associated with software development projects. Both of these are referred to as "Capitalized Assets" and are depreciated and/or amortized over their respective useful lives and charged to cost of revenues.

Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax reform commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). Under ASC 740 "Income Taxes" ("ASC 740"), the effects of changes in tax rates and laws are recognized in the period in which the new legislation is enacted. The TCJA makes broad and complex changes to the U.S. tax code, including, but not limited to: (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (3) bonus depreciation that will allow for full expensing of qualified property; (4) creating a new limitation on deductible interest expense; (5) eliminating the corporate alternative minimum tax; (6) limitation on the deductibility of executive compensation under IRC §162(m); and (7) new tax rules related to foreign operations.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of TCJA. The purpose of SAB 118 was to address any uncertainty or diversity of view in applying ASC Topic 740 in the reporting period in which the TCJA was enacted. SAB 118 addresses situations where the accounting is incomplete for certain income tax effects of the TCJA upon issuance of a company's financial statements for the reporting period which include the enactment date. SAB 118 allows for a provisional amount to be recorded if it is a reasonable estimate of the impact of the TCJA. Additionally, SAB 118 allows for a measurement period to finalize the impacts of the TCJA, not to extend beyond one year from the date of enactment.

In connection with the Company's initial analysis of the impact of the TCJA, we have recorded a provisional decrease in our deferred tax assets and liabilities of approximately $1,221,000 as a result of the reduced federal tax rate to 21%. Such amount was fully offset by a change in our valuation allowance. As the reduced federal tax rate of 21% is administratively effective at the beginning of the Company's fiscal year, the Company is using a blended federal statutory rate of 23.21% for computing the change in the deferred tax assets and liabilities as of January 1, 2018

While the Company is able to make a reasonable estimate of the impact of the reduction in the corporate rate, it may be affected by other analyses related to the TCJA. Accordingly, the Company is still in the process of evaluating the impacts of the TCJA and considers the amounts recorded to be provisional.

The Company's provision for income taxes consists of federal and state taxes, as applicable, in amounts necessary to align the Company's year-to-date tax provision with the effective rate that it expects to achieve for the full year. For the three and six months ended April 30, 2018, the Company did not record any income tax expense. For the three and six months ended April 30, 2017, the Company recorded a benefit $192,000 and $295,000. The Company is projecting that its annual effective tax rate for the three and six months ended April 30, 2018 is 0%, therefore, no income tax benefit has been provided on the Company's year to date pre-tax losses as the Company's net deferred tax assets are not realizable on a more-likely-than-not-basis.

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 Company's accounts receivable balances included $349,000 of unbilled receivables associated with contractually committed services provided to existing customers during the three and six months ended April 30, 2018, which will be invoiced subsequent to April 30, 2018. As of October 31, 2017, the Company's accounts receivable balance included $51,000 of unbilled receivables associated with contractually committed services provided to existing customers.

The provision for doubtful accounts was $184,000 as of April 30, 2018, and October 31, 2017, 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.

PASSUR Network

The PASSUR Network is comprised of PASSUR and SMLAT Systems (collectively, the "PASSUR Network"), which includes the direct production, shipping, and installation costs incurred for each PASSUR and SMLAT System, which are recorded at cost, net of accumulated depreciation. The Company capitalized $58,000 and $125,000 of PASSUR Network costs, for the three and six months ended April 30, 2018, respectively. These amounts exclude $13,000 and $61,000 of parts purchased, related to the PASSUR Network, for the three and six months ended April 30, 2018, respectively.

For the three and six months ended April 30, 2017, the Company capitalized $323,000 and $392,000, respectively, of PASSUR Network costs. These amounts exclude $11,000 and $42,000 of parts purchased related to the PASSUR Network for the three and six months ended April 30, 2017, respectively.

Depreciation expenses related to the Company-owned PASSUR Network was $176,000 and $352,000 for the three and six months ended April 30, 2018, respectively, and $158,000 and $331,000 for the three and six month ended April 30, 2017, respectively. Depreciation is charged to cost of revenues and is recorded using the straight-line method over the estimated useful life of the asset, which is estimated at five years for SMLAT Systems and seven years for PASSUR Systems.

The net carrying balance of the PASSUR Network as of April 30, 2018, and October 31, 2017, was $5,838,000 and $6,004,000, respectively. Included in the net carrying balance as of April 30, 2018, were parts and finished goods for the PASSUR Network totaling $2,148,000, which have not yet been installed. As of October 31, 2017, $2,278,000 of parts and finished goods for the PASSUR Network were included in the net carrying balance of the PASSUR Network. PASSUR Network assets which are not installed are carried at cost and not depreciated until installed.

Capitalized Software Development Costs

The Company follows the provisions of ASC 350-40, "Internal Use Software" ("ASC 350-40"). ASC 350-40 provides guidance for determining whether computer software is internal-use software, and on accounting for the proceeds of computer software originally developed or obtained for internal use and then subsequently sold to the public. It also provides guidance on capitalization of the costs incurred for computer software developed or obtained for internal use. The Company expenses all costs incurred during the preliminary project stage of its development, and capitalizes the costs incurred during the application development stage. Costs incurred relating to upgrades and enhancements to the software are capitalized if it is determined that these upgrades or enhancements add additional functionality to the software. Costs incurred to improve and support products after they become available are charged to expense as incurred.

The Company capitalized $754,000 and $1,302,000 for the three and six months ended April 30, 2018, respectively. For the three and six months ended April 30, 2017, the Company capitalized $636,000 and $1,243,000, respectively.

The Company amortized $581,000 and $1,100,000 of capitalized software development costs for the three and six months ended April 30, 2018, respectively, and $415,000 and $840,000, for the three and six months ended April 30, 2017 respectively. The Company records amortization of the software on a straight-line basis over the estimated useful life of the software, typically over five years within "Cost of Revenues".

Long-Lived Assets

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

Deferred Tax Asset

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

At October 31, 2017, the Company had available federal net operating loss carryforwards of $7,474,000, which will expire in various tax years from fiscal year 2023 through fiscal year 2037.

Deferred Revenue

Deferred revenue includes amounts attributable to advances received or billings related to customer agreements, which are contractually required and are non-refundable, and may be prepaid either annually, quarterly, or monthly. Deferred revenues from such customer agreements are recognized as revenue ratably over the period that coincides with the respective agreement. The Company recognizes initial set-up fee revenues and associated costs on a straight-line basis over the estimated life of the customer relationship period, typically five years.

Fair Value of Financial Instruments

The recorded amounts of the Company's cash, receivables and accounts payables 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.

Net Income per Share Information

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

	For the three months ended April 30,		For the six months ended April 30,	
	2018	2017	**2018**	2017
Basic Weighted average shares outstanding	**7,696,091**	7,692,913	**7,696,091**	7,691,534
Effect of dilutive stock options	**-**	-	**-**	-
Diluted weighted average shares outstanding	**7,696,091**	7,692,913	**7,696,091**	7,691,534
Weighted average shares which are not included in the calculation of diluted net income per share because their impact is anti-dilutive. These shares consist of stock options.	**1,606,500**	1,341,500	**1,606,500**	1,341,500

Stock-Based Compensation

The Company follows FASB ASC 718, "Compensation-Stock Compensation," which requires the measurement of compensation cost for all stock-based awards at fair value on the date of grant, and recognition of stock-based compensation expense over the service period for awards expected to vest. The fair value of stock options was determined using the Black-Scholes valuation model. Such fair value is recognized as an expense over the service period, net of forfeitures. Stock-based compensation expense was $171,000 and $342,000 for the three and six months ended April 30, 2018, respectively. For the three and six months ended April 30, 2017, stock-based compensation expense was $113,000 and $255,000, respectively. Stock-based compensation is primarily included in selling, general, and administrative expenses.

Recent Accounting Pronouncements Adopted

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." The new guidance on accounting for employee share-based payment awards was designed 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 effective November 1, 2018. In accordance with the new guidance, the Company has made a policy election to account for forfeitures when they occur. The Company adopted this guidance during the quarter ended January 31, 2018, using the modified retrospective method, with no material impact to its consolidated financial statements and related disclosures because the Company has a full valuation allowance on its current and non-current deferred tax assets and liabilities.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Assets. This ASU is intended to simplify the presentation of deferred taxes on the balance sheet and will require an entity to present all deferred tax assets and deferred tax liabilities as non-current on the balance sheet. Under the current guidance, entities are required to separately present deferred taxes as current or non-current. This guidance will be effective beginning in 2018, with early adoption permitted. The Company adopted this guidance during the quarter ended January 31, 2018 with no material impact to its consolidated financial statements and related disclosures because the Company has a full valuation allowance on its current and non-current deferred tax assets and liabilities.

Recent Accounting Pronouncements Not Yet Adopted

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation: Topic 718" — Scope of Modification Accounting ("ASU 2017-09"), to clarify when to account for a change in the terms or conditions of a share-based payment award as a modification. Under the new standard, modification is required only if the fair value, the vesting conditions, or the classification of an award as equity or liability changes as a result of the change in terms or conditions. ASU 2017-09 will be effective for the Company beginning November 1, 2018 and will be applied prospectively.

In February 2016, the FASB issued ASU 2016-02, which amends the ASC and creates Topic 842, Leases ("Topic 842"). Topic 842 will require lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP on the balance sheet. This guidance is effective for annual periods beginning after December 15, 2018, which will be effective for the Company beginning November 1, 2019, and early adoption is permitted. The Company does not believe this new accounting standard update will have a material impact on its consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASU 2014-09"), to supersede nearly all-existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services, ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new standard is effective for the annual period beginning after December 15, 2017, including interim reporting periods within that period, which will be effective for the Company beginning November 1, 2018.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented ("Full Retrospective Method") or retrospectively with the cumulative effect of applying the guidance recognized in retained earnings as of the date of adoption ("Modified Retrospective Method"). The Company has begun the process of evaluating the impact of the adoption of ASU 2014-09 to its consolidated financial statements, accounting policies and processes. The Company is determining the necessary internal and external resources needed to assist in its implementation and evaluation of the impact of ASU 2014-09. The Company has not yet selected a transition method and is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures.

3. Notes Payable – Related Party

The Company has a note payable to G.S. Beckwith Gilbert, the Company's Chairman and significant stockholder, of $4,725,000 (the "Existing Gilbert Note") as of April 30, 2018. The Existing Gilbert Note bears a maturity date of November 1, 2019, with an annual interest rate of 6%. Interest payments are due by October 31 of each fiscal year. During the six months ended April 30, 2018, Mr. Gilbert loaned the Company an additional $925,000. The Company has paid interest incurred on the Existing Gilbert Note through January 31, 2018, totaling $66,000. As of April 30, 2018, the Company's accrued expenses and other current liabilities included accrued interest, on the Existing Gilbert Note of $70,000, which was paid on May 1, 2018.

Subsequent to April 30 2018, Mr. Gilbert loaned the Company an additional $300,000. As of June 13, 2018, the principal amount of the loan outstanding to Mr. Gilbert was $5,025,000.

The Company evaluated its financial position as of April 30, 2018, including an operating loss of $2,051,000 and working capital deficit of $3,970,000 and has requested and received a commitment from G.S. Beckwith Gilbert, dated June 13, 2018, that if the Company, at any time, is unable to meet its obligations through June 13, 2019, Mr. Gilbert will provide the necessary continuing financial support to the Company in order for the Company to meet such obligations. Such commitment for financial support may be in the form of additional advances or loans to the Company, in addition to the deferral of principal and/or interest payments due on the existing loans, if deemed necessary. The note payable is secured by the Company's assets.

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

Forward Looking Statements

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

Description of Business

The Company provides data aggregation and consolidation, information, decision support, predictive analytics, collaborative solutions, and professional services. To 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 five largest North American airlines, more than 60 airport customers, including at the top 30 North American airports, hundreds of business aviation customers, as well as the U.S. government.

Our core business addresses some of aviation industry's most intractable and costly challenges, including, but not limited to, underutilization of airspace and airport capacity, delays, cancellations, and diversions, among others. Several independent studies have estimated the annual direct costs of such inefficiencies to airlines in the United States at over $8 billion annually, and worldwide direct cost at over $30 billion annually.

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 carbon emissions, while maximizing revenue opportunities, improving operational efficiency, and enhancing the passenger experience.

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 based 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.

For the three months ended April 30, 2018, total revenue increased 2% to $3,502,000, compared with $3,424,000 for the same period in fiscal year 2017. Loss from operations for the three months ended April 30, 2018, was $950,000 compared to $218,000 for the same period in fiscal year 2017. For the three months ended April 30, 2018, net loss was $1,024,000 or $0.13 per diluted share, compared to a net loss of $71,000 or $0.01 per diluted share, in the same period in fiscal year 2017.

For the six months ended April 30, 2018, total revenue was $7,015,000, compared with $7,039,000 for the same period in fiscal year 2017. Loss from operations for the six months ended April 30, 2018, was $2,051,000 compared to $331,000 for the same period in fiscal year 2017. For the six months ended April 30, 2018, net loss was $2,191,000 or $0.28 per diluted share, compared to net loss of $122,000 or $0.02 per diluted share, in the same period in fiscal year 2017.

Results of Operations

Revenues

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

For the three months ended April 30, 2018, total revenues increased $78,000, or 2%, to $3,502,000, as compared with $3,424,000 for the same period in 2017. The increase in total revenues was primarily due to an increase in our consulting revenue of $74,000, compared with the prior year. For the six months ended April 30, 2018, total revenues decreased $24,000, or less than 1%, to $7,015,000, as compared with $7,039,000 for the same period in 2017. The decrease in total revenues for the six months ended April 30, 2018, was mainly due to a decrease in subscription revenue of $109,000, which was partially offset by an increase in consulting revenue of $89,000, when compared to the same period in 2017.

The Company continues to enhance its wide selection of products and develop and deploy new software applications and solutions to better address customers' needs, all of which are easily delivered through web-based applications or as stand-alone professional services.

Cost of Revenues

Costs associated with subscription and maintenance revenues consist primarily of direct labor, depreciation of PASSUR and SMLAT Network Systems, amortization of capitalized software development costs, communication costs, data feeds, travel and entertainment, and consulting fees. Also included in cost of revenues are costs associated with upgrades to PASSUR and SMLAT Systems necessary to make such systems compatible with new software applications, as well as the ordinary repair and maintenance of existing PASSUR and SMLAT Systems. Additionally, cost of revenues in each reporting period is impacted by: (1) the number of PASSUR and SMLAT System units added to the PASSUR Network, which includes the production, shipment, and installation of these assets (currently largely installed by unaffiliated outside contractors), which are capitalized to the PASSUR Network; and (2) capitalized costs associated with software development and data center projects; and (3) data center projects, (all referred to as "Capitalized Assets"). The labor and fringe benefit costs of Company employees involved in creating Capital Assets are capitalized, rather than expensed, and amortized, usually over five or seven years, as determined by their projected useful life. The Company does not break down its costs by product.

Cost of revenues increased $459,000, or 29%, to $2,026,000 for the three months ended April 30, 2018, as compared with the same period in fiscal year 2017. Cost of revenues increased $1,016,000 or 31%, to $4,265,000 for the six months ended April 30, 2018, as compared with the same period in fiscal year 2017. During the three and six months ended April 30, 2018, the cost of revenues increases were primarily due to (i) an increase in total personnel related costs of approximately $235,000 and $526,000, respectively; (ii) an increase in data and license fees of approximately $97,000 and $190,000, respectively, to further enhance our ability to provide our software portfolio offerings globally; (iii) an increase in amortization expense associated with our capitalized software projects of approximately $166,000 and $261,000, respectively; and (iv) a decrease in capitalized costs associated with the PASSUR Network of $265,000 and $267,000, respectively, primarily due to a decrease in the number of PASSUR Network deployments as compared with the prior periods. These increases were offset by capitalized costs associated with software development, which increased $118,000 and $60,000, for the three and six months ended April 30, 2018, respectively. However, capitalized software development costs as a percentage of total software development costs decreased as compared with the prior periods. Additionally, third-party contractor costs decreased $189,000 and $178,000, respectively, for the three and six months ended April 30, 2018, primarily due to a decrease in the number of PASSUR Network deployments as compared with the prior periods.

Finally, as we continue to release product enhancements/new versions to its existing product offerings, and new product offerings, our amortization expenses associated with the historical software capitalization is anticipated to increase. As a result, we anticipate that our software capitalization and amortization expense, when netted, will not have a significant impact on our financial results.

Research and Development

Research and development expenses decreased $37,000, or 20%, to $149,000, for the three months ended April 30, 2018, as compared to $186,000 for the same period in fiscal year 2017. Research and development expenses decreased $110,000, or 27%, to $304,000, for the six months ended April 30, 2018, as compared to $414,000 for the same period in fiscal year 2017. For both the three and six months ended April 30, 2018, the decreases in research and development were primarily attributable to a reduction in personnel related costs allocated to research and development from cost of revenues and selling, general and administrative expenses as compared to prior year

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

Selling, General, and Administrative

Selling, general, and administrative expenses increased $388,000, or 21%, to $2,276,000 for the three months ended April 30, 2018, as compared to $1,888,000 for the same period in fiscal year 2017. Selling, general, and administrative expenses increased $790,000, or 21%, to $4,497,000 for the six months ended April 30, 2018, as compared to $3,707,000. The increase for the three and six months ended April 30, 2018, is primarily due to (i) an increase in personnel related costs associated with sales and marketing of approximately $180,000 and $355,000, respectively, and in general and administrative personnel related costs of $2,000 and $58,000, respectively, (ii) an increase in professional services fees of approximately $51,000 and $100,000, respectively, (iii) an increase in stock-based compensation expense of $60,000 and $91,000, respectively and (iv) other various increases within selling, general, and administrative expenses associated with rents for new office locations, and travel expenses as compared to the same periods in fiscal year 2017.

Loss from Operations

For the three months ended April 30, 2018, loss from operations increased $731,000 to $950,000, as compared with the same period in fiscal year 2017. For the six months ended April 30, 2018, loss from operations increased $1,720,000 to $2,051,000, as compared to the same period in fiscal year 2017.

The increase for the three months ended April 30, 2018, was primarily due to an increase in operating expenses of $809,000 or 22%, offset by an increase in revenues of $78,000 or 2%.

The increase for the six months ended April 30, 2018, was primarily due to (i) an increase in operating expenses of $1,696,000 or 23%, and (ii) a decrease in revenues of $24,000.

Overall, the increase in operating expenses was primarily due to the hiring of new development, sales and marketing, and management professionals needed to achieve our revenue growth objectives.

Interest Expense – Related Party

Interest expense – related party increased $30,000, or 75%, and $54,000, or 67%, for the three and six months ended April 30, 2018, respectively, as compared to the same periods in fiscal year 2017, due to the higher principal balance on the note in fiscal year 2018, as compared to the same period in fiscal year 2017.

Net Loss

The Company had net loss of $1,024,000, or $0.13 per diluted share for the three months ended April 30, 2018, as compared to a net loss of $71,000, or $0.01 per diluted share, for the same period in 2017. The Company had net loss of $2,191,000, or $0.28 per diluted share for the six months ended April 30, 2018, as compared to a net loss of $122,000, or $0.02 per diluted share, for the same period in 2018.

Liquidity and Capital Resources

The Company's current assets exceeded its current liabilities, excluding deferred revenue, by $117,000 as of April 30, 2018. The Company's stockholders' equity was $6,603,000 as of April 30, 2018.

The outstanding principal amount under the note payable to a related party, G.S. Beckwith Gilbert, the Company's Chairman and significant stockholder, was $4,725,000 as of April 30, 2018 and $3,800,000 as of October 31, 2017, with a maturity of November 1, 2019. For the six months ended April 30, 2018, the Company paid interest incurred on the note payable totaling $66,000. As of April 30, 2018, the Company had accrued interest – related party of $70,000, which was paid on May 1, 2018. During the six months ended April 30, 2018, Mr. Gilbert loaned the Company an additional $925,000. Subsequent to April 30 2018, Mr. Gilbert loaned the Company an additional $300,000. As of June 12, 2018, the principal amount of the loan outstanding to Mr. Gilbert was $5,025,000.

On February 9, 2018, the Company entered into a Fourth Debt Extension Agreement with Mr. Gilbert, effective February 9, 2018, pursuant to which the Company and Mr. Gilbert agreed to modify certain terms and conditions of the existing debt agreement (the "Existing Gilbert Note"). The maturity date of the Existing Gilbert Note was November 1, 2018, and the total amount of principal and interest due and owing as of February 9, 2018, was $4,732,000. Pursuant to the Fourth Debt Extension Agreement, the Company issued a new note to Mr. Gilbert in the principal amount of $4,725,000 (the "Fourth 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 February 9, 2018, in an amount equal to $7,000, at the time and on the terms set forth in the Existing Gilbert Note. Under the terms of the Fourth Replacement Note, the maturity date was extended to November 1, 2019, and the annual interest rate remained at 6%. Interest payments under the Fourth Replacement Note shall be made annually on October 31st of each year. The note payable is secured by the Company's assets.

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

If the Company's business plan does not generate sufficient cash flows from operations to meet the Company's operating cash requirements, the Company will attempt to obtain external financing on commercially reasonable terms. However, the Company has received a commitment from G.S. Beckwith Gilbert, dated June 13, 2018, that if the Company, at any time, is unable to meet its obligations through June 13, 2019, Mr. Gilbert will provide the necessary continuing financial support to the Company in order for the Company to meet such obligations. Such commitment for financial support may be in the form of additional advances or loans to the Company, in addition to the deferral of principal and/or interest payments due on the existing loans, if deemed necessary.

Net cash provided by operating activities was $744,000 for the six months ended April 30, 2018, and consisted of a net loss of $2,191,000, depreciation and amortization of $1,713,000, stock-based compensation expense of $342,000 and deferred revenue of $1,231,000, with the balance consisting of an increase in accounts receivables and prepaid expenses and other current assets and an increase in operating liabilities. Net cash used in investing activities was $1,575,000 for the six months ended April 30, 2018, which was expended for capitalized software development costs, additions to the PASSUR Network, and additional computer equipment for our Bohemia, New York, and Orlando, Florida data centers. Net cash provided by financing activities was $925,000 for the six months ended April 30, 2018 and consisted of proceeds from note payable – related party. Net cash provided by operating activities decreased by $1,348,000 for the six months ended April 30, 2018, as compared to the same period in 2017.

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 increase on an annualized basis. However, there are no guarantees that such annualized future revenue increases will occur. If revenues do not increase and the Company's cost-structure is not adjusted accordingly, losses may occur. The extent of such profits or losses will be dependent on sales volume achieved and the Company's ability to optimize its cost structures.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures of contingent assets and liabilities based upon accounting policies management has implemented. These significant accounting policies are disclosed in Note 1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2017, and there have been no material changes to such policies since the filing of such Annual Report. These policies and estimates are critical to the Company's business operations and the understanding of its results of operations. The impact and any associated risks related to these policies on the Company's business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2017, as such policies affect its reported financial results. The actual impact of these factors may differ under different assumptions or conditions.

In May 2017, the FASB issued Accounting Standards Update ("ASU") No 2017-09, "Compensation—Stock Compensation: Topic 718" — Scope of Modification Accounting ("ASU 2017-09"), to clarify when to account for a change in the terms or conditions of a share-based payment award as a modification. Under the new standard, modification is required only if the fair value, the vesting conditions, or the classification of an award as equity or liability changes as a result of the change in terms or conditions. ASU 2017-09 will be effective for the Company beginning November 1, 2018 and will be applied prospectively.

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." The new guidance on accounting for employee share-based payment awards was designed 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 effective November 1, 2018. In accordance with the new guidance, the Company has made a policy election to account for forfeitures when they occur. The Company adopted this guidance during the quarter ended January 31, 2018, using the Modified Retrospective Method, with no material impact to its consolidated financial statements and related disclosures because the Company has a full valuation allowance on its current and non-current deferred tax assets and liabilities.

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

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Assets. This ASU is intended to simplify the presentation of deferred taxes on the balance sheet and will require an entity to present all deferred tax assets and deferred tax liabilities as non-current on the balance sheet. Under the current guidance, entities are required to separately present deferred taxes as current or non-current. This guidance will be effective beginning in 2018, with early adoption permitted. The Company adopted this guidance during the quarter ended January 31, 2018 with no material impact to its consolidated financial statements and related disclosures.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASU 2014-09"), to supersede nearly all-existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services, ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new standard is effective for the annual period beginning after December 15, 2017, including interim reporting periods within that period, which for the Company will be the annual period ending October 31, 2019.

The guidance permits two methods of adoption: Full Retrospective Method or Modified Retrospective Method. The Company has begun the process of evaluating the impact of the adoption of ASU 2014-09 to its consolidated financial statements, accounting policies and processes. The Company is determining the necessary internal and external resources needed to assist in its implementation and evaluation of the impact of ASU 2014-09. The Company has not yet selected a transition method and is evaluating the effect that this new guidance will have on its consolidated financial statements and related disclosures.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As disclosed in Part II. Item 9A. "Controls and Procedures" in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2017, the Company identified a material weakness in internal control over financial reporting related to certain errors associated with the capitalization of certain costs associated with software development and manufacturing and installation of fixed assets.

Based on the evaluation at April 30, 2018, by our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), they concluded that, our disclosure controls and procedures designed to correct the material weakness in internal control over financial reporting described in Part II. Item 9A of our 2017 Form 10-K, were effective as of April 30, 2018.

Remediation Plan

The Company's CEO and CFO have instituted plans to remediate the material weakness in internal control over financial reporting related to the capitalization of certain general and administrative costs associated with software development and manufacturing and installations of fixed assets, which costs should have been expensed as incurred. The Company eliminated any general and administrative costs for software development and from the manufacturing and installation of fixed assets, and this change was completed before the Company prepared its financial statements for the quarter ended January 31, 2018. The Company continued this remediation plan through the quarter ended April 30, 2018, and will continue to monitor the remediation during fiscal year 2018, as required, to ensure the design, implementation and controls are operating effectively.

Management believes that the Company's consolidated financial statements included in this Form 10-Q have been prepared in accordance with generally accepted accounting principles. The Company's CEO and CFO have certified that, based on such officer's knowledge, the financial statements, and other financial information included in this Form 10-Q, fairly present in all material respects the Company's financial condition, results of operations and cash flows as of, and for, the periods presented in this Form 10-Q.

In addition, the Company has implemented continual oversight programs to ensure these material weaknesses as disclosed in Part II. Item 9A. "Controls and Procedures" in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2017, do not recur.

Remediation Actions

Management continues to monitor the comprehensive remediation program as disclosed in Part II. Item 9A. "Controls and Procedures" in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2017 to ensure that control deficiencies contributing to the material weaknesses previously identified do not recur and that the new controls recently introduced will operate effectively.

For the quarters ended January 31, 2018 and April 30, 2018, the Company developed and implemented a comprehensive remediation program to enhance the Company's internal controls to prevent any recurrence of the material weaknesses discussed above. Specifically, the Company (i) updated its capitalization policies regarding software development costs and costs associated with manufacturing and installation of Company-owned assets to ensure that such policies are in compliance with applicable GAAP, (ii) provided extensive training for all appropriate personnel to improve the identification, evaluation and monitoring of risks and the effectiveness of associated controls, which has been completed, and (iii) performed additional levels of review around the preparation of the schedule and data used to compute the costs of software development and manufacturing and installation of Company-owned assets.

Changes in Internal Control over Financial Reporting

Except as described above, there were no other changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) within the fiscal quarter to which this report relates, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

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

Item 5. Other Information.

On June 13, 2018, the Company's significant shareholder and Chairman confirmed his commitment to provide the necessary continuing financial support to the Company in order for the Company to meet its obligations through June 13, 2019. A copy of the commitment is attached as Exhibit 10.1 to this Form 10-Q and incorporated by reference into this Item 5.

Item 6. Exhibits.

10.1 *	Commitment of G.S. Beckwith Gilbert, dated June 13, 2018.
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.ins*	XBRL Instance
101.xsd*	XBRL Schema
101.cal*	XBRL Calculation
101.def*	XBRL Definition
101.lab*	XBRL Label
101.pre*	XBRL Presentation

* Filed herewith.

SIGNATURES

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

PASSUR AEROSPACE, INC.

Dated: June 13, 2018	By: /s/ James T. Barry James T. Barry President and Chief Executive Officer (Principal Executive Officer)
Dated: June 13, 2018	By: /s/ Louis J. Petrucelly Louis J. Petrucelly Chief Financial Officer, Treasurer, and Secretary (Principal Financial and Accounting Officer)

Field Point Capital Management Company
One Landmark Square, Suite 1900
Stamford, CT 06901

June 13, 2018

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

As Chairman of the Board as well as the principal shareholder of PASSUR Aerospace, Inc. ("PASSUR Aerospace" or the "Company"), I make the following commitment to the Company with respect to the period from the date of this commitment through June 13, 2019.

Liquidity

I commit that if the Company at any time is unable to meet its obligations through June 13, 2019, that I will provide the necessary continuing financial support to the Company to ensure the Company's ability to operate as a going concern through the period ending June 13, 2019. Such continuing support may take the form of additional loans or advances to PASSUR Aerospace in addition to the deferral of principal and/or interest payments due on outstanding loans to PASSUR Aerospace as referred to above.

These commitments are not conditional and are irrevocable through the period ending June 13, 2019.

I, G.S. Beckwith Gilbert, having the financial wherewithal to enter into this irrevocable commitment, make the above commitments to the Company and its shareholders.

/s/G.S. Beckwith Gilbert
G.S. Beckwith Gilbert
President

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

I, James T. Barry, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: June 13, 2018

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

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

I, Louis J. Petrucelly, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: June 13, 2018

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

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

In connection with the quarterly report of PASSUR Aerospace, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended April 30, 2018, 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

June 13, 2018

Exhibit 32.2

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

In connection with the quarterly report of PASSUR Aerospace, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended April 30, 2018, 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

June 13, 2018