



**Fiscal Quarter Ended July 31, 2016**

SEPTEMBER 14, 2016

**B-SCADA, INC**

9030 W. FORT ISLAND TRAIL, BLDG. 9CRYSTAL FIVER, FL 34429

**B-SCADA, INC.**

**TABLE OF CONTENTS**

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>ITEM 1. FINANCIAL STATEMENTS</u>	3
<u>CONSOLIDATED BALANCE SHEETS</u>	3
AT JULY 31, 2016 (UNAUDITED) AND OCTOBER 31, 2015	3
<u>CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS [UNAUDITED]</u>	4
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2016 AND 2015	4
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]</u>	5
FOR THE NINE MONTHS ENDED JULY 31, 2016 AND 2015	5
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]</u>	6
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	11

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**B-SCADA, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	July 31, 2016 <u>(Unaudited)</u>	October 31, 2015 <u></u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,120,081	\$ 840,777
Accounts Receivable – Net	315,760	58,943
Accrued Revenue	1,000	217,050
Inventory	26,042	219
IVA Tax Receivable - Net	63,384	29,197
Prepaid Expenses and Other Current Assets	53,738	34,334
Total Current Assets	<u>1,580,005</u>	<u>1,180,520</u>
<b>Property and Equipment – Net</b>	<u>212,056</u>	<u>225,165</u>
<b>Other Assets</b>		
Intangible Assets	608,721	314,735
Deferred Income Tax	1,116,259	1,061,824
Security Deposits	1,555	1,555
Total Other Assets	<u>1,726,535</u>	<u>1,378,114</u>
Total Assets	<u>\$ 3,518,596</u>	<u>\$ 2,783,799</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 106,079	\$ 52,914
Accrued Liabilities	177,447	155,678
Deferred Revenue	255,612	194,964
Mortgage Payable - Current	17,531	16,887
Total Current Liabilities	<u>556,669</u>	<u>420,443</u>
<b>Long Term Liabilities</b>		
Mortgage Payable – Less Current Portion	<u>72,310</u>	<u>85,540</u>
Total Liabilities	<u>628,979</u>	<u>505,983</u>
<b>Stockholders' Equity</b>		
Preferred Stock, \$0.0001 Par Value, 5,000,000 Shares Authorized and Unissued	--	--
Common Stock, \$0.0001 Par Value; 100,000,000 Shares Authorized; Shares Issued and Outstanding, 3,059,341 at July 31, 2016 and 2,724,341 October 31, 2015	3,059	2,724
Additional Paid in Capital	8,664,938	7,972,856
Accumulated Other Comprehensive Loss	(22,883)	(26,622)
Accumulated Deficit	(5,755,497)	(5,671,142)
Total Stockholders' Equity	<u>2,889,617</u>	<u>2,277,816</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,518,596</u>	<u>\$ 2,783,799</u>

See the accompanying notes to consolidated financial statements.

**B-SCADA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**[UNAUDITED]**

	For the Three Months Ended July 31,		For the Nine Months Ended July 31,	
	2016	2015	2016	2015
<b>Revenues</b>				
Technology Licensing and Support	\$ 167,489	\$ 286,302	\$ 671,992	\$ 1,110,553
Commercial Software	136,937	76,681	223,079	190,291
Other Hardware/Software Sales	65,309	89,033	254,428	151,366
Sensor Sales	404	11,481	5,180	11,481
Total Revenues	<u>370,138</u>	<u>463,497</u>	<u>1,154,679</u>	<u>1,463,691</u>
<b>Cost of Goods Sold</b>	<u>46,334</u>	<u>96,168</u>	<u>164,197</u>	<u>156,901</u>
Gross Profit	332,804	367,329	990,482	1,306,709
<b>Operating Expenses</b>				
Technology Licensing and Support	--	4,184	--	80,572
Commercial Software	69,773	132,491	241,395	346,096
Sales and Marketing	114,766	189,308	278,994	470,660
Research and Development	63,338	18,945	152,031	69,548
General and Administrative	108,998	190,463	440,917	795,011
Depreciation and Amortization	3,772	4,312	13,312	12,962
Total Operating Expenses	<u>360,647</u>	<u>539,703</u>	<u>1,126,649</u>	<u>1,774,849</u>
Operating Income (Loss)	<u>(36,843)</u>	<u>(172,374)</u>	<u>(136,167)</u>	<u>(468,059)</u>
<b>Other Income (Expenses)</b>				
Interest Income	305	599	1,017	1,827
Interest Expense	(1,159)	(1,371)	(3,644)	(4,335)
Total Other Income (Expenses) - Net	<u>(854)</u>	<u>(772)</u>	<u>(2,627)</u>	<u>(2,508)</u>
Income (Loss) Before Income Taxes	(37,697)	(173,146)	(138,794)	(470,567)
Benefit from Income Taxes	<u>(18,025)</u>	<u>(57,635)</u>	<u>(54,435)</u>	<u>(136,656)</u>
Net Loss	<u>(19,672)</u>	<u>(115,511)</u>	<u>(84,359)</u>	<u>(333,911)</u>
<b>Other Comprehensive Income (Loss)</b>				
Foreign Currency Translation Adjustment	<u>(2,544)</u>	<u>(2,655)</u>	<u>(22,883)</u>	<u>(20,538)</u>
Comprehensive Loss	<u>\$ (22,216)</u>	<u>\$ (118,166)</u>	<u>\$ (107,242)</u>	<u>\$ (354,449)</u>
Weighted-Average Common Shares Outstanding - Basic and Diluted Earnings Loss Per Share	<u>3,059,341</u>	<u>2,724,341</u>	<u>2,923,924</u>	<u>2,724,341</u>

See the accompanying notes to consolidated financial statements.

**B-SCADA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**[UNAUDITED]**

	For the Nine Months Ended July 31,	
	2016	2015
<b>Operating Activities</b>		
Net Income (Loss)	\$ (84,358)	\$ (333,911)
Adjustments to Reconcile Net Loss to Net Cash		
Provided by Operating Activities:		
Deferred Income Tax Benefit	(54,435)	(136,656)
Depreciation and Amortization	13,312	12,962
Stock-Based Compensation	22,417	59,230
Changes in Assets and Liabilities:		
Accounts Receivable	(256,817)	59,123
Accrued Revenue	216,050	158,421
Deferred Revenue	60,648	243,855
Inventory	(25,823)	(6,450)
IVA Tax Receivable-Net	(34,187)	(12,005)
Prepaid Expenses and Other Current Assets	(19,404)	194,215
Security Deposits	--	(55)
Accounts Payable and Accrued Liabilities	(102,514)	20,502
Net Cash (Used for) Provided by Operating Activities	(265,111)	259,231
<b>Investing Activities</b>		
Capitalized Technology Development	(293,986)	(110,000)
Acquisition of Property and Equipment	--	(2,868)
Net Cash Used for Investing Activities	(293,986)	(112,868)
<b>Financing Activities</b>		
Payment of Mortgage Payable	(12,586)	(11,967)
Proceeds from Sale of Common Stock	673,404	--
Net Cash Provided by (Used for) Financing Activities	660,818	(11,967)
Foreign Currency Translation Effect	3,536	(20,538)
Change in Cash and Cash Equivalents	105,257	113,858
Cash and Cash Equivalents – Beginning of Period	840,777	1,144,915
Cash and Cash Equivalents – End of Period	\$ 946,034	\$ 1,258,773
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the period for:		
Interest	\$ 2,627	\$ 4,335
Income Taxes	\$ --	\$ --
<b>Non-Cash Investing and Financing Activities</b>		
Capitalized Technology Development with accounts payable	\$ 23,430	\$ 30,000

See the accompanying notes to consolidated financial statements.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JULY 31, 2016**

**(1) Nature of Business and Basis of Presentation**

B-Scada, Inc. (“B-Scada”, the “Company”, “we” or “us”), a Delaware corporation, was originally formed under the name Firefly Learning, Inc. in May 2001. In October 2005, pursuant to an exchange agreement, we acquired all of the issued and outstanding shares of capital stock of Mobiform Software, Ltd. (“Mobiform Canada”), a Canadian corporation, in exchange for 14,299,593 shares of our common stock and changed our name to Mobiform Software, Inc. Effective September 14, 2010, Mobiform Canada was dissolved. On October 19, 2012, we changed our name to B-Scada, Inc. On October 15, 2014, we formed a wholly-owned subsidiary in Spain, B-Scada Soluciones Industriales SL (“B-Scada Spain”) to provide improved sales, service and support to Europe, Latin America, the Middle East and Africa. On August 20, 2015 we formed a wholly-owned U.S. subsidiary, Monitor Sensing Technologies, Inc., a Florida corporation, which operates the manufacturing of our wireless sensors.

B-Scada is in the business of developing software and hardware products for the visualization and monitoring of data in residential, commercial and heavy industries. Our HMI (Human Machine Interface) software and SCADA (Supervisory Control and Data Acquisition) products are utilized in the petrochemical, electricity distribution, transportation, facilities management and manufacturing industries. B-Scada licenses portions of its technology for use in the products of smaller software firms and Fortune 500 companies. B-Scada also markets and sells a line of wireless sensors used for monitoring various information like temperature, pressure, voltage and water detection. The sensors are used in a variety of light commercial applications. Our products are marketed and sold globally and offered through a sales channel of system integrators and resellers.

**(2) Summary of Significant Accounting Policies**

Our other accounting policies are set forth in Note 2 to our audited consolidated financial statements included in our October 31, 2015 Financials.

Unaudited Interim Statements - The accompanying unaudited interim consolidated financial statements as of July 31, 2016, and for the nine months ended July 31, 2016 and 2015 have been prepared in accordance with accounting principles generally accepted for interim financial statements. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. In the opinion of management, the consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position as of July 31, 2016 and the consolidated results of operations for the three and nine months ended July 31, 2016 and 2015 and cash flows for the nine months ended July 31, 2016 and 2015. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s October 31, 2015 Annual Report. The consolidated results of operations for the nine months ended July 31, 2016 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts 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. Actual results could differ from those estimates.

Principles of Consolidation - The consolidated financial statements include the accounts of B-Scada, Inc. and our wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Concentration of Credit Risk - Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable.

We maintain our cash and cash equivalents in accounts with major financial institutions in the form of demand deposits. Deposits in these banks may exceed the amounts of insurance provided on such deposits. At July 31, 2016, we had approximately \$577,000 in cash in one financial institution in excess of the \$250,000 FDIC insured limit. At October 31, 2015, we had approximately \$167,000 and \$60,000, respectively, in cash in two financial institutions in excess of the \$250,000 FDIC insured limit.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JULY 31, 2016**

**(2) Summary of Significant Accounting Policies (Continued)**

Concentrations of credit risk with respect to trade accounts receivable are limited. We routinely assess the financial strength of customers and, based upon factors concerning credit risk, we establish an allowance for doubtful accounts. Based on this assessment, management established \$0 allowance for doubtful account as of July 31, 2016 and October 31, 2015 management established an allowance for doubtful accounts of approximately \$750 which was written off in July 31, 2016. Management believes that accounts receivable credit risk exposure is limited.

Impairment of Long-Lived Assets - We review our long-lived assets, including intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors and circumstances exist, we compare the projected undiscounted future cash flows associated with the future use and disposal of the related assets or group of assets to their respective carrying amounts. Impairment, if any, is measured as the excess of the carrying amount over the fair value based on market value (when available) or discounted expected cash flows of those assets, and is recorded in the period in which the determination is made.

Intangible assets not subject to amortization are tested annually for impairment and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. These tests were performed for the year ended October 31, 2015 and it was determined that the carrying value of the asset was not impaired.

Foreign Currency Translation - We consider the U.S. dollar ("US\$") to be our functional currency. B-Scada Spain considers the Euro ("Euro") to be its functional currency. Assets and liabilities are translated into US\$ at the period end exchange rate. Income and expense amounts are translated using the average rates during the period. Gains and losses resulting from translating foreign currency financial statements are included in accumulated other comprehensive income or loss, a separate component of stockholders' equity.

Technology Development - We capitalize costs to develop technology for sale once technological feasibility is established. Costs incurred to establish technological feasibility are charged to expense when incurred. Capitalization of technology costs cease when the related products are available for sale and at this time the capitalized costs are amortized on a straight-line method over the remaining estimated economic life of the product.

Reclassification – The Fiscal 2015 statement of operations and comprehensive loss has been reclassified to conform to the presentation used in the July 31, 2016 financial statements.

Subsequent Events – The Company evaluated subsequent events, which are events or transactions that occurred after July 31, 2016 through the date of the issuance of the accompanying consolidated financial statements.

**(3) Intangible Assets**

During 2015, the Company signed an agreement with an electronics manufacturing firm for the development of a sensor radio design prototype. For the nine months ended July 31, 2016, there was approximately \$260,981 capitalized as an intangible asset related to the development of this prototype. The total amount capitalized at July 31, 2016 was approximately \$510,981. The intangible asset will be amortized over an estimated 3-year life when completed.

**(4) New Authoritative Accounting Guidance**

In February 2016, the FASB completed its Leases project by issuing Accounting Standards Update ("ASU") No. 2016-02, "Leases" (Topic 842). The new guidance establishes the principles to report transparent and information that faithfully represents the economics about the assets and liabilities that arise from leases. As a result, the effective date will be the first quarter of our fiscal year ending October 31, 2019. We have not determined the potential effects on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation: Improvements to Employee Shared-Based Payment Accounting" (Topic 718). The amendments in ASU 2016-09 affect all entities that issue share-based payment awards to their employees and involve multiple aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the amendments in ASU 2016-09 apply only to nonpublic entities. We have not determined the potential effects on our consolidated financial statements.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JULY 31, 2016**

**4) New Authoritative Accounting Guidance (Continued)**

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers" (Topic 606). This ASU is based on when another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. ASC 606 includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. ASU 2016-08 clarifies the implementation guidance related to principal versus agent considerations and adds illustrative examples to assist in the application of the guidance. We have not determined the potential effects on our consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing" (Topic 606). This ASU addresses implementation issues identified under ASC Topic 606 by the FASB-IASB Joint Transition Resource Group for Revenue Recognition ("TRG"). Specifically, implementation questions submitted to the TRG informed the FASB about certain implementation issues in ASC Topic 606 guidance on identifying performance obligations and licensing. We have not determined the potential effects on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes" (Topic 740), which revises the balance sheet classification of deferred taxes. Currently, entities are required to separate deferred tax assets and liabilities into current and noncurrent amounts on the balance sheet. ASU No. 2015-17 requires that deferred tax assets and liabilities be classified as all noncurrent on the balance sheet. The amendments in the ASU may be applied either retrospectively or prospectively. The effective date will be the first quarter of our fiscal year ended October 31, 2018. We have elected to prospectively apply the guidance in ASU No. 2015-17 effective with our fiscal quarter ended October 31, 2015.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers" (Topic 606), which defers the effective date of ASU No. 2014-09 by one year. As a result, the effective date will now be the first quarter of our fiscal year ended October 31, 2019. We have not determined the potential effects on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), which supersedes the recognition requirements in ASC Topic 605, "Revenue Recognition", and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The amendments in the ASU will be applied using one of two retrospective methods. The effective date will be the first quarter of our fiscal year ended October 31, 2018. We have not determined the potential effects on our consolidated financial statements.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have an effect on the accompanying consolidated financial statements.

**(5) Stockholders' Equity**

On April 13, 2016, B-Scada, Inc. (the "Company") filed a Certificate of Amendment to its Certificate of Incorporation (the "Certificate of Amendment") to effect a reverse stock split (the "Reverse Stock Split") of the Company's outstanding Common Stock at an exchange ratio of 1-for-10, effective at 5:00 p.m. EDT on April 29, 2016. As a result of the Reverse Stock Split, each ten shares of the Company's Common Stock owned by a stockholder was automatically combined into one new share of Common Stock, with any fractional shares that would otherwise be issuable as a result of the Reverse Stock Split rounded up to the next largest whole share. The Reverse Stock Split applied to all shares of the Company's Common Stock issued and outstanding, all treasury shares, and all vested or unvested options to purchase Common Stock of the Company. As a result of the Reverse Stock Split, the total number of shares of Common Stock outstanding was reduced and is reflected in the accompanying consolidated financial statements retroactively for all periods presented. The number of authorized shares of Common Stock was not reduced in connection with the Reverse Stock Split and remains the same.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JULY 31, 2016**

**(5) Stockholders' Equity (continued)**

On January 6, 2016, effective as of January 11, 2016, we entered into a new Stock Purchase Agreement with Yorkmont pursuant to which Yorkmont purchased 335,000 shares of our common stock for an aggregate purchase price of \$670,000 (\$2.00 per share). In the Stock Purchase Agreement, the parties made to each other certain customary representations concerning themselves and the validity and enforceability of the agreement.

On May 3, 2016, the Board of Directors granted three new non-qualified stock option agreements and terminated and cancelled one option to purchase 250,000 shares of stock at \$.48 per share dated February 11, 2015. Two of the non-qualified options grant the Optionee the right to purchase an aggregate of 5,000 shares of our common stock at an exercise price of \$1.30 per share. The option vests as follows: 1,333 shares immediately; 1,334 shares on May 3, 2017; 1,333 shares on May 3, 2018. The third non-qualified option grant the Optionee the right to purchase an aggregate of 25,000 shares of our common stock at an exercise price of \$1.50 per share. The option vests as follows: 16,667 shares immediately; 8,333 shares on February 11, 2017.

**(5) Commitments and Contingencies**

**Leases**

B-Scada Spain subleases office space in Spain from an entity related to the two principal employees in Spain. The lease is for a term of five years commencing November 1, 2014 with annual renewal options thereafter. Base rent is \$1,163 (Euro 1,050) per month for the first fourteen months after which it increases to \$1,395 (Euro 1,260) per month for the remainder of the term. There is an annual escalation based on the Spanish National General Index of Consumer Prices and we are responsible for the related costs, such as, taxes, utilities and maintenance. Rent expense amounted to \$12,227 (Euro 11,041) for the nine months ended July 31, 2016. Future lease commitments through the twelve months ended July 31 are as follows: 2017-\$16,740; 2018-\$16,740; 2019-\$16,740; 2020-\$12,555.

**Compensation Agreements**

In connection with the formation of B-Scada Spain, we entered into agreements with two individuals and a related entity in Spain to establish and maintain our Spanish office and for employment services. In October 2014, we made an advance payment of approximately \$182,000 for services related to the establishment of our office in Spain. Such services included, among other necessary services, securing and setting up the office location, interviewing and hiring qualified personnel and translating technical documents, marketing materials, web site, etc. These services were completed in the first quarter of fiscal 2015 and at such time this amount was expensed. Contingent upon continued employment, the two individuals will each be paid 12.5% (25% in total) of the annual net profit of B-Scada Spain, calculated at each fiscal year end, until a total of US \$175,000 (US \$350,000 in total) has been paid at which time payments will cease. No payment was required to be made for the year ended October 31, 2015 and no amount has been accrued for the nine months ended July 31, 2016.

We also entered into employment agreements with the two individuals effective November 1, 2014. The agreements provide for annual salaries of Euro 42,615 (approximately US \$47,192) and Euro 30,000 (approximately US \$33,210), respectively, and commissions as defined in our sales commission policy, among other customary terms, such as, vacation pay and qualified expense reimbursements. The agreements are on an ongoing basis unless terminated by either us or the employee, as defined in the agreements. The agreements also provide that if the employee is terminated due to redundancy (layoff), in addition to being paid any unused vacation pay, the employee, if employed for at least one full year, will receive redundancy pay equal to 45 days for each year of employment, not to exceed 42 months of equivalent salary. Both the unused vacation pay and redundancy pay are payable at the employee's then applicable base salary.

**(6) Significant Customers**

For the nine months ending July 31, 2016 four customers have generated 26%, 20%, 9%, and 8% of our revenues. For the nine months ending July 31, 2015 four customers have generated 29%, 20%, 15%, and 9% of our revenue.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JULY 31, 2016**

(7) **Subsequent Events**

On September 2, 2016, B-Scada filed Form 15 with the Securities Exchange Commission (“SEC”) to voluntarily suspend its reporting obligations under the Securities Exchange Act of 1934, as amended. As a result of this filing, the Company's obligations to file certain reports with the SEC, including annual, quarterly and current reports on Form 10-K, Form 10-Q and Form 8-K, respectively, was immediately suspended.

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion of our results of operations should be read together with our consolidated financial statements and the related notes, included elsewhere in this report. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involves unknown risks and uncertainties. Examples of forward-looking statements include: projections of capital expenditures, competitive pressures, revenues, growth prospects, product development, financial resources and other financial matters. You can identify these and other forward-looking statements by the use of words such as “may,” “will,” “should,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential” or the negative of such terms, or other comparable terminology. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this quarterly report on Form 10-Q.*

### **Executive Summary**

B-Scada, Inc. (“we,” “B-Scada,” “us,” “our”) is in the business of developing software and hardware products for the visualization and monitoring of data in residential, commercial and heavy industries. Since 2003, B-Scada’s focus on user interface design solutions for Windows and web applications has given us a unique perspective and insight into the data visualization market. Our software solutions are reducing resource consumption, increasing productivity and improving safety all over the world in industries like manufacturing, building automation, water treatment, energy management, and other fields of business relying on real-time data visualization and analytics to manage their processes. With a background in heavy industrial software technology, B-Scada has pushed beyond the traditional boundaries of SCADA (Supervisory Control and Data Acquisition) to bring our technology to light industrial, commercial and residential customers as well.

From machine-level HMI software to enterprise-level SCADA software, B-Scada leverages the latest technology and industry standards to provide powerful, stable, and modern solutions to its customers. B-Scada also has IoT (Internet of Things) cloud-based and on premise solutions, that allow users to create powerful customized applications for Smart Cities and remote monitoring. B-Scada’s team of developers and designers have provided world-class service and consultation to customers in a wide range of vertical markets..

### **Overall Strategic Goals**

Our goal is to become a leading supplier of data visualization and analytics to industry. Using some of the best talent in the industry, we build our monitoring systems in house and sell them into various vertical markets worldwide including building automation, petro chemical, transportation, electricity distribution and EPA emissions monitoring. Smaller firms and Fortune 500 companies have recognized the talent of our technical staff and the unique capabilities of our technology. This has given us the ability to license portions of our technology to other companies to use in their software systems.

### **Products and Services**

Our technology team has extensive experience in software design and development and has designed, built and delivered, over the years, world-class software solutions for numerous vertical markets. In addition to software development, we also derive income from the sale of wireless sensors, consulting services, graphic design and contract development that we offer hand in hand with our software solutions

### **Product Description**

Our Status product line falls into the category of SCADA or HMI software. In addition, our technology is hosted providing an Internet of Things (IoT) platform for monitoring of industrial and commercial data.

The Status family of products are a powerful data visualization software package that allows the user to create highly graphical screens and connect the controls on the screens to real-time data. The screens can then be published and viewed by anyone within the company or from the web. The system includes alarming, reporting, workflow, data modelling and calculation services. Users can use a Windows client or any HTML5 enabled device to access the system.

Status has built-in connectivity to real-time OPC (Open Process Control) data (including OPCUA (Unified Architecture)) and can very easily be extended to bind to other types of data. OPC data is primarily used in the manufacturing and process control industries. The market appeal for Status is its ability to connect to a variety of data from hundreds of data sources and display that data in real time.

‘Status Machine Edition’ was released in January 2009 as an industrial control and monitoring application for heavy industry and manufacturing. ‘Status Enterprise’ is a supervisory level version of Machine Edition which was released in January 2014.

While Status Enterprise has been deployed internally behind the firewall of corporate networks, it can also be installed on hosted servers on the web. This allows users to bring data into the system from many different devices located anywhere. The HTML 5 support allows the data to be visualized on almost any device. As such, Status Enterprise is a true IoT (Internet of Things) platform.

Starting in February of 2015, B-Scada has begun to present Status Enterprise as an IoT platform known as VoT (Virtualization of Things). The intent of this platform is to open additional markets to B-Scada products, markets that may not be realized if our systems were marketed as SCADA only.

Through the various Internet of Things trade shows attended by B-Scada during the year a number of observations have become apparent. IoT customers are looking for complete solutions. This includes the monitoring software, hardware and consulting services for a turnkey system. In order to address this B-Scada has started the process of providing its own sensors to the IoT market.

We have attracted a number of resellers and system integrators that are now promoting and using the Status product line in commercial settings. We believe that this will result in greater sales and distribution of our software through retail outlets and to original equipment manufacturers (“OEM”s). We are also targeting potential customers to offer customized applications to meet their industry requirements.

B-Scada technology is used to monitor one of the largest subway systems in the world in Seoul, South Korea. The system monitors building automation performance electricity distribution, mining, manufacturing, aquaculture and petrochemical and is also used for line of business applications.

B-Scada Systems are used in the United States and around the world in numerous countries including Germany, Sweden, Taiwan, Kuwait, Malaysia, Chile, Canada, United Kingdom, Italy, Turkey, South Africa, Russia and France.

### **Consulting**

In addition to sales of the Status products, we generate revenue by providing consulting services to companies that wish to extend and customize our technology. We provide .Net development and graphic design services. We also offer training on our systems.

### **Technology Licensing**

In addition to selling our own software products, we also license the technology we have developed to other software companies. Long-term licenses to multinational software companies are a major part of our business. The lead time for our engineers to work with theirs in developing successful integration of our software with their future products is fairly long - from nine months to two years - but the result is a multiyear high revenue license providing substantial income for us for years to come. We have several such agreements in place with Fortune 500 companies, and agreements with smaller firms.

The products developed using B-Scada’s technology include industrial automation solutions, medical applications, smart grid, building automation and line of business applications. The relationships established through licensing are very strategic and may lead to acquisitions to prevent competitive companies from having the same strategic benefits.

### **Growth Strategy**

B-Scada software can collect vital information of what is happening with the system it is monitoring. This data can be very valuable for such activities as scheduling, predictive maintenance and manufacturing execution as well as providing for real-time business process management data to executive-level personnel. Our growth strategy is to grow our software offerings beyond SCADA and provide a more complete and valuable offering to our customers. These additional software products may be developed in house as the company grows, or added through a business acquisition. Additional capital may be needed to finance such an acquisition, either through debt or equity public or private offerings. There is no assurance that, if needed, we will be able to raise capital in an amount necessary to finance such acquisition or finance such acquisition on acceptable terms.

One new area B-Scada is looking at is IoT (Internet of Things). The software products we offer fit very well with this new growth industry. In 2015 we have started new marketing and product initiatives in this space using our existing technology. From various trade shows we have attended, it has become obvious that many potential IoT customers are looking for turnkey solutions and do not want to develop them themselves. In line with meeting these needs, we plan on offering additional products alongside our software, including sensors, and will be expanding our efforts to partner with other companies in the IoT space to help deliver more complete solutions to the market.

On May 1, 2015, B-Scada signed an agreement with an electronic manufacturing firm for the development of B-Scada sensors. As mentioned, it has become apparent that customers are looking for a complete IoT solution instead of trying to piece together a solution from various vendors. While some sensor companies have software for viewing their sensor data, the software is very limited in its abilities and can only be used with data from that one company. B-Scada software will be able to work with B-Scada sensors as well as sensors and hardware from hundreds of other companies, allowing for the development of a sophisticated system aggregating data from many different hardware sources into custom solutions for commercial and industrial customers.

B-Scada currently has companies that are evaluating Status Enterprise as a data visualization solution to be marketed and sold with their existing hardware and/or software products. There is some integration work required before these systems will be available on the market, but the opportunities look promising.

### **Revenue Strategy**

We sell our SCADA software products to system integrators and commercial customers for visually monitoring and archiving their industrial data. Often, we are asked to provide technical expertise in the form of software development, graphics design and consulting services along with the software we provide our customers. We currently sell our SCADA products directly over the Internet from our website and through resellers to end users and system integrators.

Our IoT initiatives include offering hosted services through a SAAS (Software as a Service) model. This opens up B-Scada to a much larger market than SCADA alone and provides additional revenue streams using technology already developed by B-Scada. These hosted offerings will be driven by the sale of lightweight commercial sensors owned by B-Scada and sold to the market through online sales, resellers, retailers and system integrators.

We are currently generating revenues by licensing portions of our technology to different software companies, which technology they in turn use in their software products. These license agreements are long term arrangements providing consistent revenue to B-Scada.

### **Critical Accounting Policies and Estimates**

Our financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The preparation of the financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures. Though we evaluate our estimates and assumptions on an ongoing basis, our actual results may differ from these estimates.

Certain of our accounting policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's subjective judgments are described below to facilitate a better understanding of our business activities. We base our judgments on our experience and assumptions that we believe are reasonable and applicable under the circumstances.

**Revenue Recognition** - Our revenues are recognized in accordance with FASB ASC Topic 985-605 "Revenue Recognition" for the software industry. Revenue from the sale of software licenses is recognized when standardized software modules are delivered to and accepted by the customer, the license term has begun, the fee is fixed or determinable and collectability is probable. Revenue from software maintenance contracts and Application Service Provider ("ASP") services are recognized ratably over the lives of the contracts. Revenue from professional services is recognized when the service is provided.

We enter into revenue arrangements in which a customer may purchase a combination of software, maintenance and support, and professional services (multiple-element arrangements). When vendor-specific objective evidence ("VSOE") of fair value exists for all elements, we allocate revenue to each element based on the relative fair value of each of the elements. VSOE of fair value is established by the price charged when that element is sold separately. For maintenance and support, VSOE of fair value is established by renewal rates, when they are sold separately. For arrangements where VSOE of fair value exists only for the undelivered elements, we defer the full fair value of the undelivered elements and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue, assuming all other criteria for revenue recognition have been met.

**Technology Development** - We capitalize costs to develop technology for sale once technological feasibility is established. Costs incurred to establish technological feasibility are charged to expense when incurred. Capitalization of technology costs cease when the related products are available for sale and at this time the capitalized costs are amortized on a straight-line method over the remaining estimated economic life of the product.

## Results of Operations

### Comparison of the Three Months Ended July 31, 2016 and 2015

The following tables set forth, for the periods indicated, certain items from the consolidated statements of operations along with a comparative analysis of ratios of costs and expenses to revenues.

	For the three months ended July 31,			
	2016		2015	
	(Unaudited)		(Unaudited)	
	Amounts	% of Revenues	Amounts	% of Revenues
Revenues				
Technology licensing and support	\$ 167,489	45%	\$ 286,302	62%
Commercial software	136,937	37%	76,681	17%
Other hardware/software	65,309	18%	89,033	19%
Sensor	404	--%	11,481	2%
Total revenues	<u>\$ 370,139</u>	<u>100%</u>	<u>\$ 463,497</u>	<u>100%</u>
COGS	\$ 46,335	13%	\$ 96,168	21%
Gross profit	<u>\$ 323,804</u>	<u>87%</u>	<u>\$ 367,329</u>	<u>79%</u>
Operating expenses:				
Technology licensing and support	\$ --	--%	\$ 4,184	1%
Commercial software	69,773	19%	132,491	29%
Sales and marketing	114,766	31%	189,308	41%
Research and development	63,338	17%	18,945	4%
General and administrative	108,998	29%	190,463	41%
Depreciation and amortization	3,772	1%	4,312	1%
Total operating expense	<u>\$ 360,647</u>		<u>\$ 539,703</u>	
Operating loss	<u>\$ (36,843)</u>	<u>(10)%</u>	<u>\$ (172,374)</u>	<u>(38)%</u>
Net interest expense (income)	\$ 854	--%	\$ 772	--%
Benefit from income taxes	\$ (18,025)	(5)%	\$ (57,635)	(12)%
Net loss	<u>\$ (19,672)</u>	<u>(5)%</u>	<u>\$ (115,511)</u>	<u>(26)%</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>		<u>\$ (0.01)</u>	

#### Revenues

Our revenues for the three months ended July 31, 2016 amounted to \$370,139 compared to third quarter fiscal 2015 revenues of \$463,497, a decrease of \$93,359 (20%). The primary reason for the decline in revenues is due to losses in the petrochemical sector which has been well documented in previous quarters. In third quarter of fiscal 2016, we had a decrease in technology licensing revenues \$118,813 which was offset by an increase in Commercial software revenues of \$60,256. The growth in software revenues is due to the increase in our cloud based offerings and increased sales from our system integrators.

#### Operating Expenses

Technology licensing and support costs consist primarily of payroll and related expenses. Technology licensing and support costs amounted to \$0 in the three months ended July 31, 2016 compared to \$4,184 in the three months ended July 31, 2015 a decrease of \$4,184 (100%). The decrease was due to the loss of a license in the petrochemical sector.

As a percentage of technology licensing and support revenues the related costs decreased to 0% in the third quarter of fiscal 2016 as compared to 1% of such revenues in the third quarter of fiscal 2015. The decrease to zero was due to the loss in the petrochemical sector for technology license support.

Commercial software costs consist primarily of payroll and related expenses. Commercial software costs amounted to \$69,773 in the three months ended July 31, 2016 compared to \$132,491 in the three months ended July 31, 2015 a decrease of \$62,718 (47%).

Commercial software costs were 51% of commercial software revenues in the third quarter of fiscal 2016 and 108% in the third quarter of fiscal 2015. Overall these costs represented 19% of third quarter fiscal 2016 revenues compared to 29% of third quarter fiscal 2015 revenues. The 10% decrease was due to an increase in software sales.

Sales and marketing costs have decreased to \$114,766 in the three months ended July 31, 2016 from \$189,308 in the three months ended July 31, 2015, a decrease of \$74,542 (39%). Payroll and related costs decreased to \$64,144 (\$8,306 Spain) from \$100,005 (\$11,176 Spain) and advertising, marketing and trade shows decreased to \$50,622 from \$89,303. This decrease was a result due to marketing budgets cuts and staff reductions.

Research and development costs increased to \$63,338 in the three months ended July 31, 2016 from \$18,945 in the three months ended July 31, 2015, an increase of \$44,393 (234%). Research and development, payroll and related costs will continue to increase as we continuously work on our production of sensors. Sensors were released in June and the costs from one manufacturing company is now being amortized over three years.

General and administrative costs decreased to \$108,998 in the three months ended July 31, 2016 from \$190,463 in the three months ended July 31, 2015, a decrease of \$81,465 (42%). The decrease was primarily related to decreases in payroll and related costs which decreased to \$73,810 (\$14,656 Spain) from \$98,966, a result of payroll and related staff reductions.

#### *Interest and Debt Costs*

Net interest expense (income) increased to \$854 in the three months ended July 31, 2016 from \$772 in the three months ended July 31, 2015, an increase of \$82 (10%). Net interest expense (income) relates to the mortgage on our office building which was purchased in April 2014 and offset by interest income in the money market account.

#### *Income Tax Benefit*

In the three months ended July 31, 2016, we recorded a deferred income tax benefit of \$18,025. Our U.S. operations recorded a tax benefit of \$47,618 and our Spanish operations utilized a deferred tax benefit of \$29,593. In the three months ended July 31, 2015, we recorded a deferred tax benefit of \$57,635. Our U.S. operations recorded a tax benefit of \$47,542 and our Spanish operations recorded a tax benefit of \$10,093.

#### *Net Income (Loss)*

Net loss in the three months ended July 31, 2016 totaled \$19,672 (Spain incurred net income of \$98,671) compared to net loss of \$115,511 (\$23,551 Spain) in the three months ended July 31, 2015, a decrease of \$95,839.

## Comparison of the Nine Months Ended July 31, 2016 and 2015

The following tables set forth, for the periods indicated, certain items from the consolidated statements of operations along with a comparative analysis of ratios of costs and expenses to revenues.

	For the nine months ended July 31,			
	2016		2015	
	(Unaudited)		(Unaudited)	
	Amounts	% of Revenues	Amounts	% of Revenues
Revenues				
Technology licensing and support	\$ 671,992	58%	\$ 1,110,553	76%
Commercial software	223,079	19%	190,291	13%
Other hardware/software	254,427	22%	151,366	10%
Sensor	5,180	--%	11,481	1%
Total revenues	<u>\$ 1,154,678</u>	<u>100%</u>	<u>\$ 1,463,691</u>	<u>100%</u>
COGS	\$ 164,197	14%	\$ 156,901	11%
Gross profit	<u>\$ 990,481</u>	<u>86%</u>	<u>\$ 1,309,790</u>	<u>89%</u>
Operating expenses:				
Technology licensing and support	\$ --	--%	\$ 80,572	6%
Commercial software	\$ 241,395	21%	\$ 346,096	24%
Sales and marketing	\$ 278,993	24%	\$ 470,660	32%
Research and development	\$ 152,031	13%	\$ 69,548	5%
General and administrative	\$ 440,917	38%	\$ 795,011	54%
Depreciation and amortization	\$ 13,312	1%	\$ 12,962	1%
Total operating expense	<u>\$ 1,126,648</u>		<u>\$ 1,774,849</u>	
Net interest expense (income)	\$ 2,627	--%	\$ 2,508	--%
Benefit from income taxes	\$ (54,435)	(4)%	\$ (136,656)	(9)%
Net loss	<u>\$ (84,358)</u>	<u>(23)%</u>	<u>\$ (333,911)</u>	<u>(23)%</u>
Basic and diluted per loss common share	<u>\$ (0.01)</u>		<u>\$ (0.01)</u>	

### Revenues

Our revenues for the nine months ended July 31, 2016 amounted to \$1,154,677 compared to revenues of \$1,463,691 for the nine months ended July 31, 2015, a decrease of \$309,014 (21%). In the nine months ended July 31, 2016, we had decreases in technology licensing, development, and support revenues of \$438,56. These decreases were primarily from our petrochemical customers.

Commercial software revenues increased \$32,788 to \$223,079 in the nine months ended July 31, 2016 compared to the nine months ended July 31, 2015. Other hardware/software and sensor revenues increased \$96,760 to \$259,607 in the nine months ended July 31, 2016 compared to the nine months ended July 31, 2015. This increase is due to increases in sales of our cloud based services which are now generating recurring revenue in a SaaS model and increased activity in our sale channel.

Our line of wireless sensors was launched at the National Sensors Expo and Conference on June 21-23, 2016 at the McEnergy Convention Center, San Jose, CA.

### Operating Expenses

Technology licensing and support payroll amounted to \$0 in the nine months ended July 31, 2016 compared to \$80,572 in the nine months ended July 31, 2015, a decrease of \$80,572 (100%). Commercial software costs amounted to \$241,395 in the nine months ended July 31, 2016 compared to \$346,096 in the nine months ended July 31, 2015, a decrease of \$104,701 (41%). This increase in costs result from shifting of labor from technology licensing and support and reduction of staff.

As a percentage of technology licensing and support revenues the related costs decreased to 0% in the nine months ended July 31, 2016 as compared to 6% of such revenues in the nine months ended July 31, 2015. Commercial software costs were 108% of commercial software revenues in the nine months ended July 31, 2016 compared to 182% in the nine months ended July 31 2015.

This was a result of the decreased costs, as discussed above, and the decrease in such revenues in the nine months ended July 31, 2016. Overall these costs represented 21% of revenues for the nine months ended July 31, 2016 as compared to 24% of revenues for the nine months ended July 31, 2015.

Sales and marketing costs decreased to \$278,993 in the nine months ended July 31, 2016 from \$470,660 in the nine months ended July 31, 2015, a decrease of \$191,667 (41%). Payroll and related costs decreased to \$188,827 (\$24,917 Spain) from \$252,971 (\$34,541 Spain) and advertising, marketing and trade shows decreased to \$90,166 from \$168,870. This decrease was a result due to marketing budgets cuts and staff reductions.

Research and development costs increased to \$152,031 in the nine months ended July 31, 2016 from \$69,548 in the nine months ended July 31, 2015, an increase of \$82,483 (119%). Payroll and related costs increased from fiscal 2015 because during that period we continued to work on our production of sensors.

General and administrative costs decreased to \$440,917 in the nine months ended July 31, 2016 from \$795,011 in the nine months ended July 31, 2015, a decrease of \$354,094 (45%). The decrease was related to payroll and related costs, which decreased to \$241,984 (\$41,066 Spain) from \$342,593 (\$63,042 Spain), a result of staff reductions, and a one-time charge related to the establishment of our office in Spain of approximately \$138,000. There was also decreases accounting, consulting and legal fees by \$72,590 as well as office supplies and equipment of \$11,590 and repairs and maintenance for city sewer line connection for \$10,400.

#### *Interest and Debt Costs*

Net interest expense (income) relates to the mortgage on our office building and offset by interest income in the money market account, decreased to \$2,627 in the nine months ended July 31, 2016 from \$2,508 in the nine months ended July 31, 2015, a decrease of \$119 (5%).

#### *Income Tax Benefit*

In the nine months ended July 31, 2016, we recorded a deferred income tax benefit of \$54,435. Our U.S. operations recorded a tax benefit of \$91,918 and our Spanish operations utilized a deferred tax benefit of \$37,483. In the nine months ended July 31, 2015, we recorded a deferred income tax benefit of \$136,656. Our U.S. operations recorded a tax benefit of \$57,025 and our Spanish operations recorded a tax benefit of \$79,631.

#### *Net Loss*

Net loss in the nine months ended July 31, 2016 totaled \$84,358 (Spain incurred net income of \$124,944) compared to net loss of \$333,911 (\$185,762 Spain) in the nine months ended July 31, 2015, a decrease of \$249,553.

## **Liquidity and Capital Resources**

We currently fund our operations through sales of our products and services and when necessary through sales of equity and debt securities.

At July 31, 2016, we had cash and cash equivalents of \$1,120,081 compared to \$840,777 at October 31, 2015. The increase of \$279,304 is primarily attributable to cash generated from a private placement of the company's common stock.

## **Cash Flows**

Net cash used for operating activities amounted to \$265,112 in the nine months ended July 31, 2016 compared to net cash provided by operating activities of \$259,231 in the six months ended July 31, 2015. Net cash from operations decreased \$524,342 primarily due to the cancellation of a \$400,000 technology license agreement as well as the elimination of technology consulting expenses related to the petrochemical industry.

In investing activities for the nine months ended July 31, 2016 we used \$293,986 for the development of our sensors and for the nine months ended July 31, 2015 we used \$112,868 for the acquisition of property and equipment and development for our sensors.

In investing activities for the nine months ended July 31, 2016 and 2015, we used \$12,586 and \$11,967, respectively in cash for principal payments on the mortgage incurred from the purchase of our office facility. Additionally, in the nine months ended July 31, 2016 we received \$670,000 in cash from the sale of 335,000 shares of common stock at \$2.00 per share.

We believe that our cash on hand at July 31, 2016 and our revenue commitments will be sufficient to fund our operations for at least the next 12 months. We have signed significant licensing agreements and continue to market our products and services in accordance with our strategic business plan. There is no assurance that the income generated from these and future agreements will meet our working capital requirements, or that we will be able to sign significant agreements in the future.

## **Recent Accounting Pronouncements**

In February 2016, the FASB completed its Leases project by issuing Accounting Standards Update ("ASU") No. 2016-02, "Leases" (Topic 842). The new guidance establishes the principles to report transparent and information that faithfully represents the economics about the assets and liabilities that arise from leases. As a result, the effective date will be the first quarter of our fiscal year ending October 31, 2019. We have not determined the potential effects on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation: Improvements to Employee Shared-Based Payment Accounting" (Topic 718). The amendments in ASU 2016-09 affect all entities that issue share-based payment awards to their employees and involve multiple aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the amendments in ASU 2016-09 apply only to nonpublic entities. We have not determined the potential effects on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers" (Topic 606). This ASU is based on when another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. ASC 606 includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. ASU 2016-08 clarifies the implementation guidance related to principal versus agent considerations and adds illustrative examples to assist in the application of the guidance. We have not determined the potential effects on our consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing" (Topic 606). This ASU addresses implementation issues identified under ASC Topic 606 by the FASB-IASB Joint Transition Resource Group for Revenue Recognition ("TRG"). Specifically, implementation questions submitted to the TRG informed the FASB about certain implementation issues in ASC Topic 606 guidance on identifying performance obligations and licensing. We have not determined the potential effects on our consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-17, "Income Taxes" (Topic 740), which revises the balance sheet classification of deferred taxes. Currently, entities are required to separate deferred tax assets and liabilities into current and noncurrent amounts on the balance sheet, ASU No. 2015-17 requires that deferred tax assets and liabilities be classified as all noncurrent on the balance sheet. The amendments in the ASU may be applied either retrospectively or prospectively. The effective date will be the first quarter of our fiscal year ended October 31, 2018. We have elected to prospectively apply the guidance in ASU No. 2015-17 effective with our fiscal quarter ended October 31, 2015.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers" (Topic 606) which deferred the effective date of ASU No. 2014-09. The effective date of the provisions in ASU No. 2014-09 will now be the first quarter of our fiscal year ended October 31, 2019.

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers” (Topic 606), which supersedes the revenue recognition requirements in ASC Topic 605, “Revenue Recognition”, and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The amendments in the ASU will be applied using one of two retrospective methods. The effective date will be the first quarter of our fiscal year ended October 31, 2018.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have an effect on the accompanying consolidated financial statements