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

FORM 10-K

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

For the fiscal year ended October 31, 2019

OR

| _ | Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from ___ to ___

Commission file number 0-7642

PASSUR AEROSPACE, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically if any, every Interactive Data File required to be submitted 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 such files). **Yes [X] No [ ]**

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

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

The aggregate market value of the voting shares of the Registrant held by non-affiliates as of April 30, 2019, was $4,306,740.

The number of shares of common stock, $0.01 par value, outstanding as of December 31, 2019, was 7,712,091.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for the 2020 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days of October 31, 2019, are incorporated by reference into Part III of this Form 10-K.

Forward Looking Statements

The consolidated financial information provided in this Annual Report on Form 10-K (including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Liquidity and Capital Resources," below) contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the Company's (defined below) future plans, objectives, and expected performance. The words "believe," "may," "will," "could," "should," "would," "anticipate," "estimate," "expect," "project," "intend," "objective," "seek," "strive," "might," "likely result," "build," "grow," "plan," "goal," "expand," "position," or similar words, or the negatives of these words, or similar terminology, identify forward-looking statements. These statements are based on assumptions that the Company believes are reasonable but are subject to a wide range of risks and uncertainties, and a number of factors could cause the Company's actual results to differ materially from those expressed in the forward-looking statements referred to above. These factors include, without limitation, the risks and uncertainties discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," the uncertainties related to the ability of the Company to sell its existing product and professional service lines, as well as in new products and professional services (due to potential competitive pressure from other companies or other products), as well as the potential for terrorist attacks, changes in fuel costs, airline bankruptcies and consolidations, economic conditions, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission ("SEC"). Other uncertainties which could impact the Company include, without limitation, uncertainties with respect to future changes in governmental regulation and the impact that such changes in regulation will have on the Company's business. Additional uncertainties include, without limitation, uncertainties relating to: (1) the Company's ability to find and maintain the personnel necessary to sell, manufacture, and service its products; (2) its ability to adequately protect its intellectual property; and (3) its ability to secure future financing. Readers are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made and which reflect management's analysis, judgments, belief, or expectation only as of such date. The Company undertakes no obligation to publicly update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future. Readers are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-Q and 8-K.

PART I

Item 1. Business

PASSUR® Aerospace, Inc. ("PASSUR" or the "Company"), a New York corporation founded in 1967, is a leading business intelligence company, providing predictive analytics and decision support technology for the aviation industry primarily to improve the operational performance and cash flow of airlines and the airports where they operate. The Company is recognized as a leader in airline and airport operational efficiency and business aviation marketing and operational solutions. PASSUR is a pioneer in the successful use of big data, with an aviation intelligence platform and suite of web-based solutions that address the aviation industry's most intractable and costly challenges, including, but not limited to, the underutilization of airspace and airport capacity, delays, cancellations, and diversions. Several independent studies have estimated the annual direct costs of such inefficiencies in the United States at over $8 billion annually, and worldwide direct costs at over $30 billion annually. The Company's technology platform is supported by its Aviation Intelligence Center of Excellence ("CoE"), 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 believes digital solutions are essential to meet demand for increased global air travel through the busiest airports and airspaces, sustainably and efficiently. We address this opportunity through the combination of deep expertise, vast data, and an integrated, collaborative software platform that helps customers better predict, prioritize, prevent, and recover from inevitable unexpected disruptions. Results include improved punctuality, better asset utilization, faster turn times, better block-time performance, and reduced fuel burn and emissions.

We are assembling a growing global operational database, driving the Ariva platform, being sold to global customers (airlines, airport operators, and Air Navigation Service Providers (ANSPs). These capabilities can deliver our Platform faster than otherwise deploying company-sponsored systems. The recent contracts entered into with TAP Portugal Airlines, Avianca, Aeromexico, Toronto Pearson International Airport, and other international customers are a demonstration of this new capability.

PASSUR provides data aggregation and consolidation, information, decision support, predictive analytics, collaborative solutions, and professional services. PASSUR sources and integrates and importantly validates the integrity of a multitude of industry data to ensure complete and accurate information, processed in a way that supports specific operational and business requirements, including: proprietary surveillance technology installed at hundreds of locations; government surveillance and flight planning data feeds; a variety of commercial surveillance data feeds; and direct feeds from airlines and airports.

PASSUR solutions are focused on key objectives and outcomes of our primary market segments:

Market	Objective	Outcome
Airlines	Aircraft Utilization/Capacity Increase	Block optimization, fleet planning
	Improved Hub efficiency	Fly the optimal commercial schedule by ensuring efficient throughput, connectivity, and turn times
	Improved on time performance	Passenger (booking) preference and competitive advantage (Yield)
	Reduced cancellations	Passenger satisfaction and loyalty; higher Net Promoter Score (NPS)
Airports	Increased Gate Utilization and more efficient Surface Traffic Flows	Competitive hub advantage; higher throughput leading to more volume/more concessions/higher aeronautical fees revenue; improved asset utilization
	On-Time Performance/Punctuality; Irregular Operations Prediction and Recovery	Higher customer satisfaction; higher rankings in performance surveys; competitive hub advantage; attract and retain airline entrants
Air Navigation Service Providers (“ANSPs”)	Accurate, Early Forecast of Demand and Capacity; Early Indications of Disruptions	Right-sized Traffic Management Initiative programs/restrictions
	Reduced Holding and improved Spacing of arrivals and departures	Most appropriate arrival/departure throughput without comprising safety
	Shorter Taxi Queues and Runway Occupancy Times; Fewer Diversions / Faster Recovery / Irregular Operations (IROPS) Resilience	Improved Service Delivery (completion, throughput, reduced holding and diversions)

PASSUR’s technology advantage rests on 4 pillars, the combination of which is unique:

1. Data Aggregation: We source and integrate and validate the integrity of a multitude of industry data inputs to ensure the most complete and accurate information, processed in a way that supports specific operational and business requirements.

2. Automation: Front line operational decision makers have too many variables to consider, on too many screens. We are consolidating information into actionable guidance that removes the need for complex, time-consuming manual calculations.

3. Predictive Accuracy: Our technology uses the power of vast amounts of historical data, machine learning, and a comprehensive view of the real-time environment to generate uniquely accurate, reliable, and relevant forecasting information.

4. Networked Collaboration and Platform: Our collaborative solutions simplify and automate the information exchange among the key stakeholders that is at the heart of aviation collaboration, enabling coordinated action to jointly solve problems that could not otherwise be addressed by any one participant on their own.

PASSUR's Strategic Objectives

1. Increase customer cash flow and operational performance, specifically through Asset Utilization, On Time Performance, Block Optimization, Reduced Cancellations, and Disruption Management, while growing PASSUR's revenue in core commercial markets.

2. Onboard global airlines, airports, and ANSPs onto the PASSUR Platform, whereby greater value is realized by all as more organizations join the customer network.

3. Organize the world's flight and operations information needed to continue to enhance the PASSUR operational Platform. In 2019, significant new capabilities were added. Additional capabilities will be integrated into this database as more international customers join the PASSUR network.

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

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

PASSUR Core Capabilities

PASSUR Ariva

Ariva represents the complete redesign and relaunch of the previously independent PASSUR suite of products on to a single platform, enabling customers to predict, prevent, and manage disruptions in the air and on the ground – allowing them to be even more proactive as a result of advanced intelligence.

Ariva provides a unified solution for proactively managing decisions that have a direct impact on key objectives such as On Time Performance (OTP), customer satisfaction, aircraft/gate utilization and schedule/block performance, among others.

This new platform is a result of a multi-year design and development process, under the direction of leaders in Design Thinking, and incorporates the advice and recommendations of PASSUR's customers and team of industry experts.

Ariva provides a single, common operating platform for customers to optimize their operations across all internal stakeholders, while supporting collaboration between airlines, airports, ANSPs, and other aviation stakeholders to drive greater efficiencies through information exchange and shared workflow. Incorporating Ariva into our customer workflows targets the following customer benefits:

- Achieve higher throughput through the use of all available gate, runway, and airspace capacity
- Address delays or disruptions before they impact the entire system
- Improve or Maintain D00, A14, or other OTP metrics across the network
- Identify and prioritize high-value flights for expedited handling on the ground or in the air
- Preserve connections or proactively rebook passengers
- Identify and prevent long on-board delays (US DOT tarmac delay, EU261)
- Manage fuel use and emissions

PASSUR is leveraging its existing suite of web-hosted solutions and adapting, enhancing, and consolidating them onto Ariva – creating a simplified user experience with a single window that the user can organize into a dashboard of the most relevant information. Ariva incorporates many new design and technology components, which will allow customers to:

- Simplify – with an intuitive, easy to use, easy to understand interface
- Prioritize – allows users to focus on their highest priority flights and constraints
- Converge – facilitates collaboration within and between organizations
- Measure – provides real-time performance intelligence on customers' most important metrics
- Enable – powering the information throughout the entire organization

Ariva has been architected from the ground up to support the rapid integration, processing, and display of multiple data feeds — regardless of their source — into a flexible template of user-configurable, integrated data visualizations and decision support dashboards that reflect a wide range of customer use cases.

Aviation Intelligence Center of Excellence to Support Big Data

The Company's Aviation Intelligence Center of Excellence ("CoE") is a team of subject matter experts with extensive experience in airline, airport and business aviation operations, finance, air traffic management, systems automation, and data visualization, with specific expertise in the operational and business needs, requirements, objectives, and constraints of the aviation industry.

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

Integrated Surveillance Network and Integrated Aviation Database

The PASSUR Network integrates additional key surveillance sources, to include Automatic Dependent Surveillance-Broadcast ("ADS-B"), ASDE-X, Mode S, En Route Radar, Airline OOOI data, ACARS, fleet databases, as well as other sources. PASSUR also integrates extensive amounts of data from its customers' systems, such as airline internal flight operations data, and Airport Operational Databases.

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

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

On January 1, 2020, the air traffic system was scheduled to migrate from a radar-based system of surveillance to a satellite-based technology known as ADS-B that gives considerably more accurate data to controllers and provides a technological platform to greatly enhance traffic management capabilities. It is a major accomplishment, and an example of what can be achieved when industry and government work closely together.

In conjunction with the January 2020 mandate, PASSUR Aerospace has deployed Ariva. PASSUR anticipated the deployment of ADS-B more than 16 years ago, when that program was just starting, and invested in augmenting its real-time situational awareness and predictive decision support tools to take full advantage of ADS-B as it gradually came online. Leveraging ADS-B data, Ariva allows airlines, airports, and the air traffic controllers to collaborate on the same platform to predict where there will be capacity challenges and collectively help prioritize operations with a targeted focus on what actions are available to optimize throughput and minimize delay – all within the current, existing physical airspace and airport infrastructure. With more than a decade of data aggregation and data science behind it, Ariva is intended to:

- Forecast the optimal performance of an airport – sequencing aircraft for just-in-time runway delivery, preventing long lines of departing aircraft, reducing repeat deicing during winter operations, and minimizing the need for disruptive ATC delay programs.
- Predict, even before pushback, when an aircraft will arrive at its destination gate, and when it will turn around and depart – allowing just-in-time gate availability and aircraft greeting (and prevent arriving aircraft from waiting 20, 30, even 40 minutes for a gate).
- Predict if a departing flight can hold for inbound connecting passengers without impacting the rest of the day's schedule.
- Identify where en route delays and holding may occur to reduce speed adjustments that burn fuel; prevent avoidable diversions; or support faster diversion recovery.
- Maintain on-time performance and schedule integrity by focusing on specific at-risk flights and knowing which specific constraints need the most attention.

ADS-B technology will bring better navigation, surveillance, safety, and efficiency in air traffic control – but just as important, it provides more and better data that will enhance predictability, prioritization, and preemptive action by airlines and airports. These sophisticated predictive capabilities can help the aviation industry reduce traveler inconvenience and make substantive reductions in the estimated $60 billion annual costs associated with operational delays.

Predictive Analytics

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

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

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

- PASSUR believes it provides airlines with the best flight predicted arrival time Estimated Time of Arrival (“ETA”) in the industry. More than ten independent airline studies done by the world’s largest and most sophisticated airlines (including most recently one completed in December 2019) have demonstrated the PASSUR predicted arrival time to be more accurate than any other source, including the airlines’ own internally-generated ETAs. The Company believes that this greater accuracy translates directly into significant operational and financial benefits in areas such as completing connections (passengers and bags), reduced fuel consumption, more efficient staffing plans, and greater on-time schedule completion.

Decision Support Dashboards, Key Performance Indicators, and Management by Exception

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

Workflow Management Solutions

Airport surface operations consist of multiple stakeholders, each with their own piece of the operational workflow and their own data. PASSUR provides a single consolidated data and workflow platform for the management of scarce airfield assets (gates, hardstands, taxiways, and runways) and airfield processes (push back, tows, taxi-out, taxi-in, deicing, arrival gate allocation, turn times, etc.).

PASSUR Business Intelligence (BI)

PASSUR continues to invest in the data aggregation, mining, and visualization tools to support the industry’s growing need for data-driven performance measurement and efficiency gains. PASSUR’s BI platform, supported by our Center of Excellence subject matter experts, helps aviation organizations and professionals identify the most important problems to target, where to invest resources for the greatest gains, and create “before” and “after” profiles to measure their return on investment.

Products and Services

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

Category	PASSUR solutions description	Key growth drivers
Traffic Flow Management	■ Web dashboard that gives airlines, airports, and Air Navigation Service Providers, (“ANSPs”) the ability to analyze and act on airspace conditions predictively and in real-time. Helps to ensure the optimal flow of traffic in/out of airports in order to preserve schedule completion and reduce costs. ■ Provides predictive analytics, alerts, and instant analysis and performance summaries to balance demand and capacity, and forecast disruptions. ■ Primary customers: airlines, airports, government, and potentially large drone operators.	■ Enhances airspace throughput and capacity. ■ Reduces impact of Traffic Management Initiatives (“TMI”), such as eliminating the need for ground stops or mile-in-trail/minutes-in-trail. ■ TMI costs can exceed $160 million annually for just one airline at larger airports. ■ Assist drone operators seamlessly integrate into the NAS.
Diversion Management	■ Web dashboard that provides advanced analytics to alert dispatchers, ATC coordinators, and pilots to divert early, not divert, or select the least-congested alternate airport for fastest recovery. Now also includes a version to manage large scale diversion events regionally with all main stakeholders. ■ Allows airlines to decrease the number of diversions they experience and optimize ones that are unavoidable, improving their profitability, passenger scores, and environmental footprint. Allows airports to be prepared for diversions, delays, and cancellations. ■ Primary customers: airlines, airports, and ANSPs.	■ Reduces the number and cost of unnecessary diversions. ■ Ensures aircraft divert to airports that can enable a faster return to original destination airport. ■ Diversions cost U.S. domestic airlines more than $400 million annually in direct costs, disrupting more than 1.6 million passengers.
Flight Predictability (ETAs and ETDs)	■ PASSUR XETA data feed optimizes all existing airline and airport processes and systems that depend on knowing when an airplane is going to arrive, depart, block in, block out, taxi and takeoff without requiring expensive or disruptive internal changes. Predictive flight arrival and departure times built on multiple sources, including PASSUR’s live and historical surveillance of the airspace. In addition to being a direct solution, XETA also powers several other PASSUR predictive flow management solutions ■ Provides accurate gate-to-gate ETA and Estimated Time of Departure (“ETD”). ■ Primary customers: airlines and airports.	■ Benefits include completing connections (passengers, bags, and crew), reduced fuel consumption, more efficient staffing plans, greater on-time schedule completion, reduced gate holds, and helping airlines meet stricter “crew rest” regulations. ■ Enables better overall planning and scheduling to maximize revenue opportunities.
Surface Optimization/Collaborative Workflow Management	■ PASSUR Surface Management helps to reduce extended tarmac delays and taxi-in/taxi-out times, prioritize high-value flights, and facilitate an efficient turn management process (transition of an aircraft from arrival to departure). ■ A suite of capabilities that combine air and ground surveillance data, visual tracking of aircraft in the airspace and on the airport surface, decision-support software, and key performance indicator dashboards. ■ PASSUR’s surface surveillance sensors allow airlines and airports to visualize parts of the airport otherwise not tracked and monitored. ■ Primary customers: airlines, airports, and ANSPs.	■ Improves the efficiency of arrivals and departures, preserves schedule integrity, prioritizes high value flights, ensures minimum turn times and reduces surface delays and fuel burn. ■ Reduces the possibility of tarmac delay fines, which can exceed $3 million per event (related to regulatory fines in US, Canada, and Europe)
Turn Time Management	■ Optimizes the transition of an aircraft from arrival to departure to ensure an on-time departure, schedule completion, and maximum asset utilization. ■ Minimizes the time required for a plane to unload from one flight and reload for the next flight by monitoring and proactively alerting to bottlenecks at each phase of the aircraft’s cycle through arrival to departure, allowing flight and passenger handling resources to be adjusted to ensure an on-time process. ■ Primary customers: airlines and airports	■ Minimizes the frequency, duration, and downstream effects of delays. ■ Ensures on-time schedule completion.

Connectivity and Collaboration	■ Allows airlines, airports and ANSPs to communicate and coordinate to ensure that time-sensitive, critical information is shared to help manage complex, expensive events that are best addressed when decisions are made on a common operating platform with full visibility into the behavior and intent of all key parties. ■ Addresses one of the key missing pieces in connectivity and collaboration: the two-way flow of accurate, timely, and complete information between airport operators, airlines, and other key stakeholders. ■ Primary customer: airports (with airlines as key influencer).	■ Reduced tarmac delay fines and incidents. ■ Operational metrics directly affected by the lack of timely updates, including secondary/repeat deicing, delays, cancellations, and diversions. ■ Large-scale regional disruptions, which are increasingly costly financially and reputationally to both airlines and airports.
Aviation Fees and Charges	■ Reduces airlines' operating costs at the airport, and ensures all airlines pay the correct amount. ■ Provides unique data independence, accuracy, and reliability – combined with proven reporting, audit, and billing services – to give airports and airlines the assurance that all billable weight is being captured, that the cost of the airfield is being distributed fairly and equitably, and that the process is transparent, automated, and standardized. ■ Primary customer: airports (with airlines as key influencer).	■ For airports, the program provides faster revenue capture, fiduciary accountability, revenue predictability, and more efficient and fair service to airline stakeholders. ■ For airlines, the program ensures that they pay only their fair share. In addition, their fees could go down after the airport begins collecting all fees owed, and the time and effort required to manage their fees is reduced. ■ PASSUR Landing Fee Management solution manages over $1billion in aviation fees annually.

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

(1) improving financial performance and cutting costs;

(2) improving operational efficiency and effectiveness;

(3) increasing safety and security; and

(4) improving the passenger experience.

The Company currently owns 27 issued patents and has an additional 9 patent applications pending with the United States Patent Office. The issued patents expire in various years through 2036.

The Company also owns a federal registered trademark in the mark PASSUR for use with both the PASSUR hardware system installation, and the software products which use the data derived from the PASSUR Network and other sources; and allowed federal trademark or the marks Airwayz, NextGen² and NextGen³, for use with PASSUR Integrated Traffic Management modules and capabilities.

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

Airline Industry Dynamics

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

- **Consolidation in the airline industry creating demand for a common operating system.** Airlines are consolidating into much larger networks of greater complexity. There is increasing demand for a common operating platform that can service their entire system. This demand is growing worldwide, not just in the US.

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

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

- **Growth in International Hub "MegaAirports."** A number of airports worldwide are positioning themselves to become global transfer hubs (examples include Toronto, Dubai, Istanbul, Mexico City, Panama, Bogota, Amsterdam Schiphol, and Frankfurt), and as a result are much more sensitive to traffic management constraints and disruptions and in search of solutions. This adds a new level of demand for PASSUR's traffic management solutions, including our newest regional disruption management tools.

Government Policy

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

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

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

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

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

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

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

Collaborative Decision Making

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

Automation and Data Standards

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

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

How PASSUR Generates Revenue

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

Distribution Method

The Company's direct sales force sells its products, as do authorized distributors or integrators who sell PASSUR's products as part of their total solution, e.g. for live flight status updates or fee collection.

Competition

PASSUR has developed a full suite of capabilities to reduce inefficiencies and improve performance across the markets it serves. There is no other company, to PASSUR's knowledge, which offers all of these capabilities. There are, however, other forms of flight tracking, surveillance, and aviation business intelligence products. Depending on the end use of the Company's products, primary competitors include Sabre, Saab-Sensis, The Weather Company/IBM, Harris Corporation, Amadeus, Thales, IDS, Metron, FlightAware, Mosaic ATM, and NATS. Many of these companies have larger sales forces and greater financial resources than the Company.

Source of Materials

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

Dependence on Certain Customers

Three customers accounted for 55%, or $8,296,000, of total revenues in fiscal year 2019. One customer accounted for 24%, or $3,599,000, a second customer accounted for 20%, or $2,985,000, and a third customer accounted for 11%, or $1,713,000 of total revenues in fiscal year 2019. Three customers accounted for 53%, or $7,798,000, of total revenues in fiscal year 2018. One customer accounted for 23%, or $3,344,000, a second customer accounted for 20%, or $2,995,000, and a third customer accounted for 10%, or $1,459,000 of total revenues in fiscal year 2018. As of October 31, 2019, the Company had three customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 19%, or $224,000, a second customer accounted for 14%, or $173,000 and a third customer accounted for 13% or $158,000. As of October 31, 2018, the Company had two customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 33%, or $446,000, and a second customer accounted for 21%, or $278,000. There is one customer, which is not one of the major customers described above, with a significant past due accounts receivable balance, which the Company has fully reserved as of the fiscal year ended October 31, 2019.

Environmental Costs

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

Employees

The Company employed 55 employees, of which 48 were full-time, including three officers, as of October 31, 2019. None of its employees is subject to any collective bargaining agreements.

Available Information

Stockholders may obtain copies of our filings with the SEC, free of charge from the website maintained by the SEC at www.sec.gov or from our website at www.passur.com. Our filings will be available on our website as soon as reasonably practicable after we electronically file such materials with the SEC. However, the information from our website is not incorporated by reference into this report.

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

Fiscal year 2019 was the third year since fiscal year 2005 in which the Company did not generate positive income from operations. While the Company’s goal is returning to positive income from operations in fiscal year 2020, future liquidity and capital requirements are difficult to predict, as they depend on numerous factors, including the maintenance and growth of existing product lines and service offerings, as well as the ability to develop, provide, and sell new products and services in an industry for which liquidity and resources are already adversely affected. The Company has obtained a commitment from its significant shareholder and Chairman to provide the resources necessary to meet working capital and liquidity requirements through January 27, 2021. There are no assurances that this commitment will continue to be available to the Company beyond January 27, 2021.

In recent years, the Company generated sufficient cash to meet its capital requirements. However, in fiscal year 2019 the Company borrowed $2,100,000. In future years, the Company may need to raise additional funds in order to support discretionary expenditures and execute its business plan. These funds, in some cases, may be beyond the scope of the Company’s normal operating requirements. In such case, the Company may be required to seek alternate sources of financing (which may not be available on favorable terms or at all) or abandon such activities by: (1) terminating or eliminating certain operating activities; (2) terminating personnel; (3) eliminating marketing activities; and/or (4) eliminating research and development programs. If any of the aforementioned occurs, the Company’s ability to expand could become adversely affected.

The Company incurred losses for the third time in the previous fourteen fiscal years.

The Company had been profitable from fiscal year 2006 through fiscal year 2016. However, for the past three fiscal years, the Company has recorded net losses. For the fiscal year ended October 31, 2019, the Company had a loss before taxes of $3,837,000. The Company’s ability to return to profitability will depend upon its ability to generate significant increased revenues through new and existing customer agreements, additional services, and/or products offered to existing and new customers, and control costs associated with business operations. There can be no assurance that the Company will be able to execute on these requirements or secure sufficient funding to meet its working capital and liquidity requirements. Although the Company has obtained a commitment from its significant shareholder and Chairman to provide the resources necessary to meet working capital and liquidity requirements through January 27, 2021, as described above, there are no assurances that this commitment will continue to be available to the Company beyond January 27, 2021.

The Company may not be able to sustain or increase its profits on a quarterly or annual basis in the future. Also, should the Company’s investment in capitalized software development costs become impaired, there could be a negative impact on the Company’s profitability.

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

The Company relies on a small number of customer contracts for a large percentage of its revenues and expects that a significant percentage of its revenues will continue to be derived from a limited number of customer contracts. The Company's top five customers accounted for 63% of its revenue in fiscal year 2019. The Company's business plan is to obtain additional customers, but the Company anticipates that near-term revenues and operating results will continue to depend on large contracts from a small number of customers.

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

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

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

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

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

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

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

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

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

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

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

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

The Company currently owns twenty-seven issued patents and has an additional nine patent applications which are pending with the United States Patent Office, some of which relate to newly developed internet-based software applications. The issued patents expire in various years through 2036. The Company intends to seek additional patents on its products, technological advances, and/or software applications, when appropriate. There can be no assurance that patents will be issued for any of its pending or future patent applications, or that any claims allowed from such applications will be of sufficient scope, or provide adequate protection or any commercial advantage to the Company. Additionally, competitors may be able to design around patents and possibly affect commercial interests.

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

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

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

Compliance with the Sarbanes-Oxley Act of 2002 will require substantial financial and management resources.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that the Company evaluate and report on its system of internal controls and, if and when the Company is no longer a "smaller reporting company," will require that the Company have such system of internal controls audited. If the Company fails to maintain the adequacy of its internal controls, the Company could be subject to regulatory scrutiny, civil or criminal penalties and/or stockholder litigation. Any inability to provide reliable financial reports could harm the Company's business. Furthermore, any failure to implement required new or improved controls, or difficulties encountered in the implementation of adequate controls over our financial processes and reporting in the future, could harm the Company's operating results or cause the Company to fail to meet its reporting obligations, which could have a negative effect on the trading price of the Company's securities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company’s headquarters are located at One Landmark Square, Suite 1900, Stamford, Connecticut. Effective June 26, 2009, the Company entered into a five-year lease for 4,000 square feet of office space. This lease was modified during fiscal year 2010, extending the term of the original lease through January 31, 2018, and adding 1,300 square feet of office space for a total of 5,300 square feet. On November 20, 2017, the Company modified this lease agreement, extending the term to June 30, 2023, at an average annual rental rate of $220,000.

The Company's hardware and software development and manufacturing facility is located in a one-story, 36,000 square foot building at 35 Orville Drive, Bohemia, New York. The Company, which renewed the lease through October 31, 2020, leases 12,000 square feet at an average annual rental rate of $139,000.

The Company's primary software development facility is located at 5750 Major Blvd, Suite 530, Orlando, Florida. Effective May 1, 2016, the Company expanded its offices and entered into a five-year lease for 3,445 square feet of office space at an average annual rental rate of $72,000.

The Company has a sales office in Vienna, Virginia, which is subject to a lease through July 31, 2021, at an average rental rate of $83,000. The Company entered into a new five-year lease in December 2017 for a regional office in Irving, Texas, for 2,030 square feet of office space, at an average annual rental rate of $60,000.

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

Item 3. Legal Proceedings

The Company is not aware of any material, existing or pending legal proceedings to which the Company or its Subsidiary is a party or to which any of its properties are subject., except as described below. There are no proceedings in which any of the Company’s directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest that is adverse to the Company’s interests.

On or about May 17, 2019, Barnett Electric Inc. filed a lawsuit against the Company in Los Angeles Superior Court seeking to recover fees in the amount of $150,000, plus interest and attorneys’ fees, for certain services and equipment allegedly provided to PASSUR. In response, the Company denied the allegations of any liability and asserted counterclaims alleging that Barnett is liable to PASSUR for Barnett’s alleged failures to perform and interference with PASSUR’s business. Although discovery is still underway and the ultimate outcome of the case cannot be reasonably predicted, PASSUR believes that it has viable defenses to Barnett’s claims, which the Company intends to defend vigorously, and believes that PASSUR is itself entitled to recovery from Barnett. The outcome of this matter is not expected to have a material impact on our cash flows, results of operations or financial position.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

(a) Market Information

The Company's Common Stock, par value $0.01 per share (the "Common Stock"), is currently quoted on the OTC Pink market under the symbol "PSSR".

The following table sets forth the reported high and low sales prices for the Company's common stock for each quarterly period during the Company's last two fiscal years, as reported by the OTC Pink market:

Period	**Prices***	
Fiscal year ended October 31, 2019	**High**	**Low**
First quarter	**$ 1.46**	**$ 1.10**
Second quarter	**$ 1.66**	**$ 1.08**
Third quarter	**$ 1.70**	**$ 1.10**
Fourth quarter	**$ 1.50**	**$ 1.10**
Fiscal year ended October 31, 2018		
First quarter	$ 3.00	$ 2.31
Second quarter	$ 2.50	$ 1.70
Third quarter	$ 2.20	$ 1.60
Fourth quarter	$ 1.70	$ 1.40

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

(b) Holders

The number of registered equity security holders of record as of October 31, 2019 was 151, as shown in the records of the Company's transfer agent.

(c) Dividends

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

(d) Securities Authorized for Issuance under Equity Compensation Plans

Information with respect to securities authorized for issuance under the Company's equity compensation plans as of October 31, 2019, is as follows:

Plan category	Number of securities to be issued upon exercise of outstanding stock options, warrants, and rights (a)		Weighted average exercise price of outstanding stock options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,847,000	$	3.20	4,682,500
Equity compensation plans not approved by security holders	-		-	-
Total	**1,847,000**	**$**	**3.20**	**4,682,500**

Item 6. Selected Financial Data

Not Required.

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

Results of Operations

General

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures of contingent assets and liabilities based upon accounting policies management has implemented. The Company has identified the policies and estimates below as critical to its business operations and the understanding of its results of operations. The impact and any associated risks related to these policies on the Company's business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, where such policies affect its reported financial results. The actual impact of these factors may differ under different assumptions or conditions.

Overview

The Company provides a complete set of integrated, collaborative tools to allow airlines, airports, and air navigation service providers to better predict, prioritize, prevent, and recover from inevitable unexpected disruptions. These disruptions have long been seen as the cost of doing business in the industry, which we have proven can be mitigated, in part, through the integrated use of our software.

As such, we provide digital solutions to the global travel industry and help customers improve punctuality, optimize turn times and gate utilization, ensure schedule integrity (e.g., passenger connections), improve block-time performance, and reduce fuel burn/emissions.

The Company provides its solutions to the largest airlines and airports in the US. Currently over 60% of all flights in the US are, in some form, managed by the PASSUR software. Additionally, we provide our proven, established capabilities to the global airline and airport industry, with solutions now implemented in Canada, Europe, and Latin America. The global market presents an opportunity to network more customers in a broader market.

Our core business addresses some of the 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 revenues are generated by selling: (1) subscription-based real-time decision and solutions information and (2) professional services.

The Company’s major achievements during fiscal year 2019 are summarized below:

1. **Launched PASSUR’s new digital platform, Ariva™ – a new generation of the PASSUR decision support platform, powered by a number of predictive technologies including Machine Learning, that enables customers to greatly increase the efficiency enhancing and cost saving operational and customer service benefits provided by PASSUR**

Ariva is the next generation of the PASSUR platform, enabling customers to better predict, prevent, and manage disruptions in the air and on the ground – allowing them to be even more proactive as a result of advance intelligence. Ariva provides a unified solution for proactively managing decisions that have a direct impact on key objectives such as On Time Performance (OTP), customer satisfaction, aircraft/gate utilization and schedule/block performance, among others.

This new cloud-based platform is a result of a multi-year design and development process involving a collaboration with PASSUR, its customers, and outside consultants.

Ariva is a single, common operating platform, providing customers with new tools to help them work towards optimizing their flight operations, while enhancing the customer experience. It is designed to be available to all internal stakeholders, while also supporting collaboration between airlines, airports, air navigation service providers (ANSPs), and others, creating a common vehicle programmed aviation stakeholders to drive greater efficiencies through information exchange and shared workflow.

2. **Continued expansion into international markets: Two New Latin American airlines contracted for PASSUR digial technology solutions and professional services**

Aeromexico contracted for PASSUR’S integrated suite of traffic management solutions – focusing on hub optimization, operational resilience, and on time performance to support Aeromexico’s growth plans. Aeromexico’s primary objectives are to increase the capacity of Mexico City International Airport (MEX) to accommodate growth, while reducing delays and congestion, increasing customer satisfaction, and reducing operating costs, to achieve Improved On-Time Performance/Punctuality; Schedule Integrity; Capacity Growth; and Higher Aircraft Utilization.

PASSUR is implementing many of the core elements of its Ariva platform, adapted from its original US configuration, for customers in Canada, Western Europe, and now Latin America.

Avianca contracted for a consulting study to help them enhance network operational excellence, with a focus on its El Dorado Hub in Bogota. As part of their program to support core elements of the “Avianca 2021 Transformation Strategy.” PASSUR will initially provide recommendations for identifying ways to work toward optimal traffic flow management, both on the airport surface and in the airspace. PASSUR will help identify ways to support one of the fundamental pillars of the airline’s transformation strategy – operational efficiency, by recommending ways to improve operational indicators like On-Time Performance at El Dorado.

PASSUR subject matter experts from the company’s Business Intelligence and Solution Architect teams focused on (1) assessing constraints, inefficiencies, and challenges in the current Traffic Flow Management environment, and in related operational areas; (2) identifying opportunities to realize early improvements; and (3) identifying opportunities where digital technology can be used to achieve objectives like On-Time Performance, asset/aircraft utilization, capacity growth, hub optimization, completion factor, and disruption mitigation/recovery.

3. **Expanded US and international deployments of PASSUR's Disruption Management Platform which is designed to reduce costly delays and cancellations, and accelerate recovery to normal operations.**

Greater Toronto Airports Authority (“GTAA”) contracted with PASSUR for its Regional Diversion Manager (RDM) program to help address extended delays, cancellations, and slow recoveries at the airport during large-scale disruptions/irregular operations, which are often caused when diversions from GTAA are not efficiently allocated between diversion airports. RDM allows operational decision makers to use available diversion capacity more effectively— helping to prevent any single airport from becoming over-saturated, thereby providing faster return to normal operations.

RDM is a major component of PASSUR's Disruption Management Platform. It includes a coordination and information exchange module that aggregates data about the status, and operational intent of all key stakeholders – including airport operations, airlines, Air Navigation Service Providers (e.g., FAA), Customs and Border Patrol (CBP), and other relevant parties.

The inaugural customer for RDM was Dallas Fort Worth International Airport (DFW). The PASSUR team deployed this innovative new module for DFW and the more than 20 regional airports used by all the airlines serving DFW, in time for the summer 2018 convective weather season. Under the stewardship of DFW airport, RDM reduces delays and cancellations, speeding up the recovery from large-scale disruptions. And improving the allocation of diverted airplanes to diversion airports. The objective is to avoid sending more planes to an airport than it can handle efficiently and to provide a faster return to normal operations.

4. Released its next-generation flight trajectory prediction solution to the Global Market

PASSUR introduced the latest version of its unique flight trajectory solution capability, powered by a number of predictive technologies including Machine Learning, designed to optimize airline and airport systems and processes that depend on accurate trajectories. PASSUR's trajectory solutions are now deployed in the US, Canada, Mexico, and Western Europe. PASSUR'S trajectory solutions support airline and airport operator objectives that include:

- Increasing On-Time Performance/Punctuality (without increasing block-time)
- Helping to ensure all aircraft are met at the gate on-time
- Enhancing passenger protection programs (USA and Canada Tarmac Delay Rules; European EU261 rules)
- Ensuring optimal use of all gate resources for faster turn times/aircraft utilization
- Prioritizing flights for on-time connections
- Increasing capacity at congested/delayed airports using the same infrastructure
- Reducing fuel burn (shorter taxi times, fewer diversions) and corresponding CO_2 emissions

Recent noteworthy achievements include:

- A 12%-point OTP improvement using PASSUR technology in six months at an airline customer:
- PASSUR's diagnostic, data and digital solutions also helped an airline achieve block-time gains worth $9MM/year
- Today, 63% of daily scheduled commercial flights in the US use PASSUR Flight Trajectory Prediction technology
- 125+ airlines worldwide now participate in PASSUR's global collaboration platform

5. Two additional airlines deployed or increased their use of PASSURs flight trajectory prediction solutions:

- A top 5 US airline expanded its integration of PASSUR's flight trajectory prediction technology, upgrading to the newest, advanced version for its entire US domestic market. This version increases the accuracy and prediction horizon to pre-departure, through the turn at the next destination, and continuing to the following flight leg. It can also forecast whether a flight will achieve its minimum turn time at the next destination.
- A major international airline deployed PASSUR's latest flight trajectory prediction technology for all its flights to/from its largest hub. This deployment is the first outside the US, and reflects PASSUR's major commitment to international markets.

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. Specifically, the objectives of the PASSUR platform are to:

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 aviation database, including data from a variety of additional aircraft, airspace, and ground surveillance sources, to help 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 make sure that its solutions can be fully implemented in its customers' work environments, with minimal demand on customers' internal resources.

PASSUR Network

The Company installed one Company owned Surface Multilateration ("SMLAT") Network System and one PASSUR system (installations include systems shipped in the previous fiscal year), and did not ship any Company-owned PASSUR systems during fiscal year 2019. The shipped and installed PASSUR and SMLAT Systems are capitalized as part of the Company-owned PASSUR Network. The Company will continue to expand the PASSUR Network by shipping and installing additional PASSUR and SMLAT Systems throughout fiscal year 2020 and beyond. The Company will continue to market the business intelligence, predictive analytics, as well as decision support applications and solutions derived from the PASSUR Network, directly to the aviation industry and organizations that serve, or are served by, the aviation industry. There were over 180 Company-owned PASSUR Systems located at airports worldwide at the end of fiscal year 2019. Back up PASSUR Systems have been installed at major customer locations.

Revenues

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

In fiscal year 2019, total revenues increased $228,000, or 2%, to $15,046,000, as compared with $14,818,000 in fiscal year 2018. The increase in total revenues was primarily due (i) an increase in subscription revenue of $613,000 or 4%, partially offset by a decrease in our consulting revenue of $385,000 to $508,000, as compared with fiscal year 2018.

The increase in subscription revenue of $613,000 is primarily due to (i) new contracts closed during fiscal year 2019, and (ii) net incremental revenue recognized during the periods in fiscal 2019 related to new contracts closed during fiscal year 2018. These increases were offset by expired contracts during fiscal year 2019, respectively.

The Company is engaged in ongoing discussions with two of its customers about the possible renewal of certain existing contracts that expire during fiscal year 2020. If these contracts are not renewed in full or in part, and not replaced by other revenue, there would be a material impact on the Company's revenues.

The decrease in consulting revenue of $385,000 to $508,000 for the year ended October 31, 2019 as compared to $893,000 for the same period in 2018 is due to the completion of a large consulting assignment in fiscal year 2018 that did not repeat in fiscal year 2019.

The Company continues to enhance its wide selection of products, developing and deploying 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 Capitalized 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 decreased $2,113,000, or 20%, to $8,368,000 for the year ended October 31, 2019, as compared with $10,481,000 in fiscal year 2018. During fiscal year 2018, cost of revenues increased as a result of increases in reserves for PASSUR Network parts and supplies, impairment charges and write-offs of the carrying amounts of certain assets totaling approximately $1,700,000, which was comprised of (i) an increase in the PASSUR Network parts and supplies reserve of approximately $230,000; (ii) an impairment charge and write-off of certain PASSUR Network assets of approximately $510,000, which assets were determined to no longer be likely to generate future revenue as a result of a change in a customer's requirements at a specific location; and (iii) an impairment charge and write-off of certain capitalized software products of approximately $960,000, which the Company determined it would no longer market for subscription sales as currently developed.

Exclusive of the increases in reserves and impairment charge taken in fiscal year 2018, cost of revenues in fiscal year 2019 decreased $413,000 or 5% compared to fiscal year 2018. Contributing to the decrease in cost of revenues during the period was a decrease in personnel related costs of $685,000, net of outsourcing costs, due to the outsourcing of some of our software development activities. This decrease was partially offset by increases in amortization expense of $101,000 associated with our capitalized software projects and an increase in data and license fee cost of $131,000. When the Company uses its employees to manufacture PASSUR and SMLAT Systems, build capital assets, and ship and install PASSUR and SMLAT Systems in the field, or for software development, there is a reduction in cost of revenues due to the fact that the labor-related costs for these systems are capitalized, rather than expensed and amortized over 7 years for PASSUR or 5 years for SMLAT systems.

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.

Costs of revenues was 56% of revenue in fiscal year 2019 and 71% in fiscal year 2018 (and excluding asset reserve and impairment charges, 59% in fiscal year 2018).

Research and Development

The Company’s research and development efforts include activities associated with new product development, as well as the enhancement and improvement of the Company's existing software, and information products.

Research and development expenses decreased $37,000, or 6%, to $556,000 for fiscal year 2019, as compared to $594,000 for fiscal year 2018. The decrease in research and development was primarily attributable to an increase in personnel related costs allocated to cost of revenues from research and development as compared to the prior year.

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. There were no customer-sponsored research and development activities during fiscal years 2019 and 2018. Research and development expenses are funded by current operations.

Selling, General, and Administrative

Selling, general, and administrative expenses increased $366,000, or 4%, to $9,254,000 for the year ended October 31, 2019, as compared to $8,888,000 in the same period in 2018. The increase is primarily due to an increase in professional and other consulting expenses of $355,000 and higher marketing expenses of $72,000. These increases were partially offset by a decrease in depreciation expense and a net decrease in various other accounts within selling, general and administrative expenses, as compared to the same period in 2018. The overall increase in selling, general and administrative costs are primarily due to the Company’s continued investments as part of its recently commenced international operations and to achieve its revenue growth objectives.

Loss from Operations

Loss from operations decreased $2,013,000, or 39%, for the year ended October 31, 2019, as compared to fiscal year 2018. The decrease was primarily due to a decrease in operating expenses of $1,785,000 or 9%, as compared to the fiscal year 2018. Operating expenses for fiscal year 2018 included approximately $230,000, $510,000 and $960,000 of costs, totaling $1,700,000, associated with the previously described increase in the PASSUR Network parts and supplies reserve, impairment charges and write-off of carrying amounts related to certain PASSUR Network systems and capitalized software development costs. The Company did not have any increases in inventory reserves, impairment charges or write-offs during fiscal year 2019. The decrease is also associated with an increase in revenue of $228,000 or 2%, as compared to fiscal year 2018. The increase in revenue was primarily due to an increase in subscription revenue, related to our greater emphasis on higher return revenue projects.

Interest Expense – Related Party

Interest expense – related party increased $380,000, or 113%, for the year ended October 31, 2019, as compared to the same period in 2018, due to the higher principle balance on the note for fiscal year 2019, as compared to fiscal year 2018.

Loss before Income Taxes

Loss before taxes decreased $1,632,000, or 30%, to a loss before income taxes of $3,848,000 for the year ended October 31, 2019, as compared to loss before income taxes of $5,480,000 for the fiscal year 2018.

Income Taxes

The Company's income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect the Company's best estimate of current and future taxes to be paid. The Company's provision for income taxes in each fiscal year consists of federal and state taxes.

For the fiscal year ended October 31, 2019, the Company recorded an income tax benefit of $10,000 on a pre-tax loss of $3,848,000 resulting in a 0.3% effective tax rate. The effective rate differs from the U.S. federal statutory rate of 21% primarily related to pre-tax losses for which no tax benefit has been provided as the Company concluded that its deferred tax assets are not realizable on a more-likely-than-not basis.

For the fiscal year ended October 31, 2018, the Company recorded an income tax provision of $5,000 on a pre-tax loss of $5,480,000 resulting in a (0.1%) effective tax rate. The effective rate differs from the U.S. federal statutory rate of 23.2% primarily related to pre-tax losses for which no tax benefit has been provided as the Company concluded that its deferred tax assets are not realizable on a more-likely-than-not basis.

Net Loss

The Company had a net loss of $3,837,000, or $0.50 per diluted share, for the year ended October 31, 2019, as compared to net loss of $5,484,000, or $0.71 per diluted share, for the fiscal year 2018.

Impact of Inflation

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

Liquidity and Capital Resources

The Company's current liabilities exceeded current assets, excluding deferred revenue by $785,000 as of October 31, 2019. The note payable to a related party, G.S. Beckwith Gilbert, the Company's significant shareholder and Chairman, was $8,150,000 at October 31, 2019, with a maturity of November 1, 2020. The Company's stockholders' equity was $456,000 at October 31, 2019. The Company had a net loss of $3,837,000 for the year ended October 31, 2019.

On January 27, 2020, the Company entered into a Sixth Debt Extension Agreement with Mr. Gilbert, effective January 27, 2020, pursuant to which the Company and Mr. Gilbert agreed to modify certain terms and conditions of the existing debt agreement with Mr. Gilbert (the "Existing Gilbert Note"). The maturity date of the Existing Gilbert Note was due on November 1, 2020, and the total amount of principal and interest due for the fourth quarter of fiscal year 2019 and first quarter of fiscal year 2020 and owing as of January 27, 2020, was $9,071,000. Pursuant to the Sixth Debt Extension Agreement, the Company issued a new note to Mr. Gilbert in the amount of $9,071,000 (the "Sixth Replacement Note") equal to a principal of $8,670,000 and accrued interest of $401,000, and cancelled the Existing Gilbert Note. The Company agreed to pay accrued interest equal to $401,000, included in the Sixth Replacement Note, at the time and on the terms set forth in the Sixth Replacement Note. Under the terms of the Sixth Replacement Note, the maturity date was extended to November 1, 2021, and the annual interest rate remained at 9 3/4%. Interest payments under the Sixth Replacement Note shall be made annually on October 31st of each year. The note payable is secured by the Company's assets.

During the year ended October 31, 2019, the Company paid Mr. Gilbert interest incurred on the Existing Gilbert Note through July 31, 2019, for a total amount equal to $516,000. As of October 31, 2019, the Company's notes payable balance included accrued interest, on the Existing Gilbert Note of $200,000, representing interest incurred during the fourth quarter of 2019. During fiscal year 2019, Mr. Gilbert loaned the Company an additional $2,100,000, and subsequent to October 31, 2019, Mr. Gilbert loaned the Company an additional $520,000. On January 27, 2020, the Company issued Mr. Gilbert the Sixth Replacement Note in the amount of $9,071,000 representing the outstanding principal and interest owed as of such date.

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. However, there are no assurances that such growth will be achieved.

Included in the notes payable balance at October 31, 2019, is accrued interest of $200,000 for the fourth quarter of fiscal year 2019.

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 Mr. Gilbert, dated January 27, 2020, that if the Company, at any time, is unable to meet its obligations through January 27, 2021, 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 $735,000 for the year ended October 31, 2019, and consisted of net loss of $3,837,000, offset by depreciation and amortization of $3,628,000 and stock-based compensation expense of $613,000, with the balance consisting of an increase in operating liabilities. Net cash provided by operating activities increased by $74,000 for the year ended October 31, 2019 as compared to the same period in 2018, primarily due to the decrease in net loss for fiscal year 2019 as compared with fiscal 2018, net of the $1,700,00 cost associated with the provisions for obsolete parts and supplies and impairment charges. Net cash used in investing activities was $2,790,000 for the year ended October 31, 2019, 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 $2,100,000 for year ended October 31, 2019, and consisted of proceeds from note payable – related party.

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 Company's information and decision support software products obtained from PASSUR Network Systems and other sources 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

General

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities, based upon accounting policies management has implemented. The Company has identified the policies and estimates below as critical to its business operations and the understanding of its results of operations. The impact and any associated risks related to these policies on the Company's business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, where such policies affect its reported financial results. The actual impact of these factors may differ under different assumptions or conditions. The Company's accounting policies that require management to apply significant judgment and estimates include:

Revenue Recognition

As discussed further in Note (1) *Description of Business and Significant Accounting Policies*, to the Company's consolidated financial statements, the Company recognizes revenue in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers" ("Topic 606")*. The Company accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable the Company will collect substantially all of the consideration to which it is entitled.

The Company derives revenue primarily from subscription-based, real-time decision and solution information and professional services. Revenues are recognized when control of these services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company recognized revenue for the fiscal year ended October 31, 2019, of $15,046,000 under Topic 606, which was not materially different from what would have been recognized under Accounting Standards Codification ("ASC") Topic 605, "*Revenue Recognition" ("Topic 605")*. The Company recorded an addition to opening accumulated deficit and a reduction to deferred revenue of approximately $66,000, respectively, as of November 1, 2018 due to the impact of adopting Topic 606.

A. Nature of performance obligations

Subscription services revenue

Subscription services revenue is comprised of cloud-based subscription fees that provide the customer the right to access the Company's software and receive support and updates, if any, for a period of time. The Company has determined such access represents a stand-ready service provided continually throughout the contract term. As such, control and satisfaction of this stand-ready performance obligation is deemed to occur over time. The Company's subscription contracts include a fixed amount of consideration that is recognized ratably over the non-cancelable contract term, beginning on the date that access is made available to the customer. The passage of time is deemed to be the most faithful depiction of the transfer of control of the services as the customer simultaneously receives and consumes the benefit provided by the Company's performance. Subscription contracts are generally one to three years in length, billed either monthly, quarterly or annually, typically in advance, which coincides with the terms of the agreement. The Company's subscription contracts do not have a significant financing component and customer invoices are typically due within 30 days. There is no significant variable consideration related to these arrangements. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether transfer of control to customers has occurred.

Professional services revenue

Professional services primarily consist of value assessments and customer training services. Payment for professional services is generally a fixed fee or a fee based on time and materials. The obligation to provide professional services is generally satisfied over time, with the customer simultaneously receiving and consuming the benefits as the Company satisfies its performance obligations. For professional services, revenue is recognized by measuring progress toward the complete satisfaction of the Company's obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of total estimated hours, and as a practical expedient, progress for services that are contracted for time and materials is generally based on the amount the Company has the right to invoice. Professional services contracts are generally one year or less in length, billed either in advance, upon pre-defined milestones or as services are rendered, which coincides with the terms of the agreement. The Company's professional service contracts do not have a significant financing component and customer invoices are typically due within 30 days.

Material rights

Contracts with customers may include material rights which are also performance obligations. Material rights primarily arise when the contract gives the customer the right to renew subscription services at a discounted price in the future. This may occur from time to time when the Company's contracts provide an implicit discount as the customer pays a nonrefundable up-front fee in connection with the initial services contract that it does not have to pay again in order to renew the service. These non-refundable up-front fees are not related to any promised service that the customer benefits from other than providing access to the subscription service. Revenue allocated to material rights is recognized when the customer exercises the right over the estimated renewal period of five years or when the right expires. If exercised by the customer, the amount previously deferred for the material right is included in the transaction price of the renewal contract and allocated to the services included in that contract. If expired, revenue is recognized as subscription services revenue in the period the right expired. If the up-front fees do not provide the customer with a material right, then the amount is included in the transaction price of the initial services contract and allocated to the performance obligations in that contract.

Contracts with Multiple Performance Obligations

Some of the Company's contracts with customers contain multiple distinct performance obligations. For these contracts, the transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The standalone selling price reflects the price the Company would charge for a specific service if it was sold separately in similar circumstances and to similar customers. The Company maximizes the use of directly observable transactions to determine the standalone selling prices for its performance obligations. For subscription services, the Company separately determines the standalone selling prices by type of solution and customer demographics. For professional services, the Company separately determines standalone selling price by type of services.

Other policies and judgments

The commissions that the Company pays for obtaining a contract with a customer are conditional on future service provided by the employee. Therefore, since these costs are not incremental solely based on obtaining a contract, the Company does not defer any commission costs.

Capitalized Software Development Costs

As discussed further in Note (1) *Description of Business and Significant Accounting Policies*, to the Company's consolidated financial statements, the Company capitalizes costs related to the development of internal use software in accordance with authoritative guidance issued by the FASB on internal-use software, ASC 350-40, "Internal-Use Software." The Company expenses all costs incurred during the preliminary project stage of its development, and capitalizes the costs incurred during the application development stage. Costs incurred relating to upgrades and enhancements to the software are capitalized if it is determined that these upgrades or enhancements add additional functionality to the software. Costs incurred to improve and support products after they become available are charged to expense as incurred.

As of October 31, 2019, and 2018, the Company had $8,319,000 and $8,142,000, respectively, of software development costs, net of amortization. The Company has a formal program to determine when additional functionality of a product is established and assumptions are used that reflect the Company's best estimates. Software development costs are reported at the lower of amortized cost or net realizable value. Net realizable value is computed as the estimated gross future revenue from each software solution less the amount of estimated future costs of completing and disposing of that product. Software costs are included in "Capitalized software development costs, net" on the Company's balance sheet and are depreciated using the straight-line method over their estimated useful life, generally five years.

Impairment of Long-Lived Assets

As discussed further in Note (1) *Description of Business and Significant Accounting Policies*, to the Company's consolidated financial statements, the Company follows the provisions of FASB ASC 360-10, "Impairment and Disposal of Long-Lived Assets." The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized to the extent the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. Assets to be disposed of are carried at the lower of their carrying value or fair value, less costs to sell. The Company evaluates the periods of amortization continually in determining whether later events and circumstances warrant revised estimates of useful lives. If estimates are changed, the unamortized costs will be allocated to the increased or decreased number of remaining periods in the revised life.

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

The Company's long-lived assets, which include the PASSUR Network and Property and equipment, totaled $4,501,000, and accounted for 31% of the Company's total assets as of October 31, 2019.

At each reporting period, management evaluates the carrying values of the Company's assets. The evaluation considers the undiscounted cash flows generated from current contractual revenue sources and the anticipated forecast revenue derived from each asset. The Company then evaluates these revenues on an overall basis to determine if any impairment issues exist. During fiscal year 2018, the Company recorded approximately $230,000, $510,000 and $960,000, a total of $1,700,000, of costs associated with an increase in the provision for obsolete and slow moving PASSUR Network parts and supplies, an impairment charge and write-off of carrying amounts related to certain PASSUR Network systems, and capitalized software development costs, respectively. Please refer to footnotes below for further details. The Company did not have any increases in inventory reserves, impairment charges or write-offs during fiscal year 2019.

Depreciation and Amortization

The PASSUR Network, net, Capitalized software development costs, net, and Property and equipment, net totaled $3,949,000, $8,319,000, and $552,000, respectively, as of October 31, 2019. As of October 31, 2018, the PASSUR Network, net, Capitalized software development costs, net, and Property and equipment, net totaled $4,801,000, $8,142,000, and $673,000, respectively. In management's judgment, the estimated depreciable lives used to calculate the annual depreciation and amortization expense are appropriate.

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

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

The PASSUR Network is comprised of PASSUR and SMLAT Systems, which include the direct production, shipping, and installation costs incurred for each PASSUR and SMLAT System, which are recorded at cost, net of accumulated depreciation. Depreciation is charged to cost of revenues and is recorded using the straight-line method over the estimated useful life of the asset, which is estimated at five years for SMLAT Systems and seven years for PASSUR Systems. PASSUR and SMLAT Systems which are not installed, raw materials, work-in-process, and finished goods components are carried at cost and not depreciated until installed.

Total depreciation and amortization expense was $3,628,000 for the year ended October 31, 2019. This consisted of $1,232,000 of depreciation expense related to the PASSUR Network and Property and equipment and $2,396,000 of amortization expense related to Capitalized software development costs. For the year ended October 31, 2018, total depreciation and amortization expense was $3,562,000. This consisted of $1,267,000 of depreciation expense related to the PASSUR Network and Property and equipment and $2,295,000 of amortization expense related to Capitalized software development costs.

Stock-Based Compensation

As discussed further in Note (9) *Stock-Based Compensation* to the Company's consolidated financial statements, the Company accounts for share-based awards in accordance with the authoritative guidance issued by the FASB on stock compensation, FASB ASC 718, "Compensation-Stock Compensation," which requires measurement of compensation cost for all stock-based awards at fair value on date of grant, and recognition of stock-based compensation expense over the service period for awards expected to vest. The fair value of stock options was determined using the Black-Scholes valuation model to compute the estimated fair value of share-based compensation expense. The Black-Scholes valuation model includes assumptions regarding dividend yields, expected volatility, expected option term and risk-free interest rates. The assumptions used in computing the fair value of share-based compensation expense reflect the Company's best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of the Company's control. Additionally, the Company accounts for forfeitures when they occur. Stock-based compensation expense was $613,000 and $646,000 for the year ended October 31, 2019 and 2018, respectively, and was primarily included in selling, general, and administrative expenses.

Income Taxes

At October 31, 2019, the Company had available a federal net operating loss carry-forward of $15,565,000 for U.S. federal income tax purposes. Approximately, $12,780,000 of U.S federal net operating loss carryforwards expire in various tax years from fiscal year 2022 through fiscal year 2038. These net operating losses are available to offset 100% of future taxable income. The remaining $2,785,000 of U.S. federal net operating loss may be carried forward indefinitely but are only available to offset 80% of future taxable income. The Company evaluates whether a valuation allowance related to deferred tax assets is required each reporting period. A valuation allowance is established if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized. Based on the weight of available evidence, the Company believes that its deferred tax assets will not be realized on a more-likely-than-not basis.

The Company follows ASC 740, "Income Taxes," where tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in tax returns that do not meet these recognition and measurement standards. At October 31, 2019, the Company did not have any uncertain tax positions. As permitted by ASC 740-10, the Company's accounting policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision.

Recent Accounting Pronouncements Adopted

In May 2014, the FASB issued Topic 606. Topic 606 supersedes the revenue recognition requirements in Topic 605 and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, "*Other Assets and Deferred Costs - Contracts with Customers*," which requires the deferral of incremental costs of obtaining a contract with a customer.

On November 1, 2018, the Company adopted Topic 606 using the modified retrospective transition method which resulted in an adjustment to retained earnings for the cumulative effect of applying the standard to all contracts not completed as of the adoption date. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Revenue recognition remained substantially unchanged following adoption of Topic 606 and therefore the adoption of Topic 606 did not have a material impact on revenues. The primary impact of adopting Topic 606 relates to the accounting for nonrefundable up-front fees. The Company recognized revenue during the fiscal year ended October 31, 2019, of $15,046,000 under Topic 606, which was not materially different from what would have been recognized under Topic 605. The Company recorded an addition to opening accumulated deficit and a reduction to deferred revenue of approximately $66,000, respectively, as of November 1, 2018 due to the impact of adopting Topic 606.

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. The Company adopted this guidance during the quarter ended January 31, 2019, using the prospective method, with no material impact to its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." The new guidance on accounting for employee share-based payment awards simplified 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 was effective for the Company for the fiscal year beginning November 1, 2017. In accordance with the new guidance, the Company 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 simplified the presentation of deferred taxes on the balance sheet and requires an entity to present all deferred tax assets and deferred tax liabilities as non-current on the balance sheet. 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.

Accounting Pronouncements Issued but not yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" requiring lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. During July 2018, the FASB issued additional updates to the new lease accounting standard. ASU No. 2018-10, "Codification Improvements to Topic 842, Leases" clarifies certain aspects of the new lease accounting standard. In addition, ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" provides companies with the option to apply the provisions of the new lease accounting standard on the date of adoption (effective date of November 1, 2019 for the Company), and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, without adjusting the comparative periods presented, as initially required.

The Company will adopt the new lease accounting standard as of November 1, 2019 and has elected to apply the provisions of the standard on the date of adoption. Accordingly, the Company will not restate prior year comparative periods for the impact of the new lease accounting standard. The Company will elect the package of practical expedients permitted under the transition guidance within the new lease accounting standard, which permits the Company not to reassess the following for any expired or existing contracts: (i) whether any contracts contain leases; (ii) lease classification (i.e. operating lease or finance/capital lease); and (iii) initial direct costs.

The Company anticipates that the adoption of the new lease accounting standard will result in the recognition of approximately $1,400,000 to $1,600,000 of right-of-use assets and lease liabilities at November 1, 2019, consisting primarily of operating leases relating to real estate for offices and PASSUR and SMLAT systems. The adoption of this standard will not materially impact the Company's Consolidated Statement of Operations or Consolidated Statements of Cash Flows.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 8. Financial Statements and Supplementary Data

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, management carried out an evaluation, under the supervision, and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules.

The Company believes that a control system, no matter how well designed and operated, can provide only reasonable assurance, not absolute assurance, that the objectives of the control system are met. Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective at a reasonable assurance level as of October 31, 2019.

Internal Control over Financial Reporting

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

The Company’s management has concluded that, as of October 31, 2019, its internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended October 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

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

(a) Identification of Directors

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

Name	Age	Director since	Director Position and Officers with the Company
G.S. Beckwith Gilbert	77	1997	Non-Executive Chairman of the Board, Chairman of the Executive Committee, and Director
James T. Barry	58	2000	President, Chief Executive Officer, and Director
John F. Thomas	60	2018	Executive Vice Chairman of the Board and Director
Brian G. Cook	55	2018	Director
Kurt J. Ekert	49	2009	Chairman of the Compensation Committee and Director
Paul L. Graziani	62	1997	Chairman of the Audit Committee and Director
Richard L. Haver	74	2010	Director
Ronald V. Rose	68	2014	Chairman of the Technology Committee and Director
Michael P. Schumaecker	75	2017	Director
Robert M. Stafford	77	2013	Director

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

(b) Identification of Executive Officers

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

Name	Age	Officer since	Officer Position and Officers with the Company
James T. Barry	58	1998	President, Chief Executive Officer, and Director
John F. Thomas	60	2018	Executive Vice Chairman of the Board and Director
Louis J. Petrucelly	45	2016	Chief Financial Officer, Treasurer, and Secretary

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

(c) Identification of Certain Significant Employees

None.

(d) Family Relationship

None.

(e) Business Experience

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

G.S. Beckwith Gilbert	Mr. Gilbert is Non-Executive Chairman of the Board of Directors of the Company, and has served as the Chairman of the Board since his election in 1997. Mr. Gilbert also serves as the Chairman of the Executive Committee. Mr. Gilbert was appointed Chief Executive Officer in October of 1998 and served as such until his retirement from that post on February 1, 2003. Mr. Gilbert is President and Chief Executive Officer of Field Point Capital Management Company, a merchant-banking firm, a position he has held since 1988. Mr. Gilbert is also Chairman Emeritus of the Board of Fellows of Harvard Medical School, a Director of the Yale Cancer Center, and a member of the Council on Foreign Relations. Mr. Gilbert's current service as Chairman of the Board of the Company and Chairman of the Executive Committee and prior service as Chief Executive Officer of the Company, as well as his prior board and executive management experience, allow him to provide in-depth knowledge of the Company and other valuable insight and knowledge to the Board.
John F. Thomas	Mr. Thomas has been Vice Chairman since December 3, 2018 and was named Executive Vice Chairman on August 12, 2019 Mr. Thomas has been actively involved in the aviation industry for the past 35 years, both as a senior operating executive as Group Executive at Virgin Australia Airlines and as a strategic advisor to the global industry as Senior Partner and Global Head of the Aviation Practice, L.E.K. Consulting LLC. Mr. Thomas' advisory work for the major airlines around the world included M&A, alliances, restructuring, ancillary revenues, network and fleet planning, product development, operational improvement, financial planning, and loyalty programs. He was also active with OEMs, Business & General Aviation, FBOs, airports, and ANSPs. He currently manages his jet charter operation out of Boston, and sits on the Boards of the largest Business Aviation services and FBO provider in Canada. He is a regular speaker at industry conferences, and continues to provide advisory services to the broader aviation industry. Mr. Thomas holds an Australian commercial pilot's license and received a Bachelor of Commerce from the University of New South Wales and a M.B.A. from Macquarie University.
Brian G. Cook	Mr. Cook has been a Director of the Company since December 3, 2018. Mr. Cook previously served as Chief Executive Officer and member of the board of directors at CyFIR from September 2018 until January 2020. Mr. Cook is currently a Director at PTG Technologies. Mr. Cook has held the position of Vice President and General Manager Travel and Transportation at DXC Technology, where he led the integration of CSC's and Hewlett Packard Enterprise Services transportation division into a single business unit at DXC, creating one of the world's largest transportation technology services businesses serving airlines, airports, rail and logistics providers. During his 29 years of executive leadership, he has held a number of positions in the travel industry, including Vice President and General Manager Travel and Transportation at Hewlett Packard, President SITA Airline Solutions North America, Vice President SITA passenger solutions, and Director Information Technology at Star Alliance.
Kurt J. Ekert	Mr. Ekert has been a Director of the Company since September 10, 2009, and became the President and Chief Executive Officer of Carlson Wagonlit Travel (CWT), the world's leading business travel management company, in 2016. Mr. Ekert has more than twenty years' experience in global travel, tourism and technology, with leadership and governance positions at Travelport, where he was Executive Vice President and Chief Commercial Officer from 2010 to 2016, eNett, GTA, Orbitz Worldwide, Cendant and Continental Airlines. Mr. Ekert is also a director of the World Travel & Tourism Council, an advisor to Freebird Inc., and serves on the boards of the U.S. Department of Commerce Travel & Tourism Advisory Board and the UNGA Global Partnership to End Violence Against Children. Mr. Ekert holds a B.S. from the Wharton School at the University of Pennsylvania, an MBA from the University of South Carolina, and saw active duty as a US army officer. Mr. Ekert's knowledge of the Company through his service as a Director of the Company, as well as his executive management and business experience in both travel and technology allow him to bring valuable insight and knowledge to the Board.

Paul L. Graziani	Mr. Graziani has been a Director of the Company since 1997 and is the Chairman of the Audit Committee. He currently serves as Chief Executive Officer of Analytical Graphics, Inc. ("AGI"), a leading producer of commercially available analysis and visualization software for the aerospace, defense, and intelligence communities, a position he has held since January 1989. Until March 2009, he also served as AGI's President. In recent times, Mr. Graziani has been recognized as "CEO of the Year" by the Philadelphia region's Eastern Technology Council and the Chester County Chamber of Business and Industry; "Entrepreneur of the Year" regional winner by Ernst & Young; and "Businessman of the Year" by the local Great Valley Regional Chamber of Commerce. He sits on the Boards of Directors of the United States Geospatial Intelligence Foundation and Federation of Galaxy Explorers, and is a former member of the board of governors of the Civil Air Patrol. He is an associate fellow of the American Institute of Aeronautics and Astronautics and has formerly served on the advisory board for Penn State Great Valley. After fulfilling his board tenure, he was recently elected to the honorary position of Life Director of The Space Foundation. In 2009 AGI was named a "Top Small Workplace" by the *Wall Street Journal* and the non-profit organization Winning Workplaces. Mr. Graziani's knowledge of the Company through his service as a Director of the Company, as well as his experience as CEO of a software company, allow him to bring valuable insight and knowledge to the Board.
Richard L. Haver	Mr. Haver has been a Director of the Company since October 8, 2010. Mr. Haver retired from Northrop Grumman Corporation in December 2010 following 10 years of service with Northrop and the TRW component acquired by Northrop in 2002. His position at Northrop Grumman was Vice President for Intelligence Programs. He earned a B.A. degree in History from Johns Hopkins University in 1967. He served on active duty in the U.S. Navy from 1967 to 1973. In 1973, Mr. Haver became a civilian intelligence analyst in the Anti-Submarine Warfare Systems branch at the Naval Intelligence Support Center. In 1976, he was selected as a department head at the Navy Field Operational Intelligence Office ("NFOIO"), and the next year became the Technical Director of the Naval Ocean Surveillance Information Center. He subsequently held the senior civilian position at NFOIO, serving as Technical Director until assuming the position of Special Assistant to the Director of Naval Intelligence in 1981. He was selected as Deputy Director of Naval Intelligence in June 1985, a position he held until 1989. Mr. Haver was selected by Secretary of Defense Dick Cheney in July 1989 to the position of Assistant to the Secretary of Defense for Intelligence Policy. From 1992 to 1995, he served as the Executive Director for Intelligence Community Affairs. In 1998, he assumed the duties of Chief of Staff of the National Intelligence Council and Deputy to the Assistant Director of Central Intelligence for Analysis and Production. In 1999, Mr. Haver joined TRW as Vice President and Director, Intelligence Programs. He led business development and marketing activities in the intelligence market area for their Systems & Information Technology Group. He also served as liaison to the group's strategic and tactical C3 business units, as well as TRW's Telecommunications and Space & Electronics groups. Mr. Haver was selected by Vice President Cheney to head the Administration's Transition Team for Intelligence and then selected by Secretary of Defense Donald Rumsfeld as the Special Assistant to the Secretary of Defense for Intelligence. He returned to the private sector in 2003. Mr. Haver is now consulting to both government and private industry associated with the national security and intelligence fields, as well as volunteer work, and service on various boards and panels. Mr. Haver's knowledge of the Company through his service as a Director of the Company, as well as his executive management and business experience in the intelligence field, allow him to bring valuable insight and knowledge to the Board.
Ronald V. Rose	Mr. Rose has been a Director of the Company since December 17, 2014. Mr. Rose now serves as CEO of Value Creation Strategies Holdings, LLC, an investment company focused on value creation through data analytics technologies. Formerly Mr. Rose was the Vice Chairman and CEO, of Decisyon, Inc., a company which accelerates business process improvement through the combination of collaborative business intelligence technologies and IoT analytics. Prior to Decisyon, Mr. Rose served as Senior Vice President of Dell.com at Dell Inc., where he ran a multi-billion dollar B2B business unit. Prior to Dell, Mr. Rose served as Chief Information Officer of Priceline.com for eleven years during which time the company successfully made the transition from a pre-IPO startup to a multi-billion dollar global travel company. Mr. Rose began his career at Delta Air Lines focusing on transaction systems. Mr. Rose holds a Bachelor of Science degree from Tulane University and the University of Aberdeen Scotland. Mr. Rose received a Master's of Science in Information Technology from the Georgia Institute of Technology. Mr. Rose is a private pilot. Mr. Rose's experience as CEO of a software company in the data analytics and collaborative decision making technology sector allows him to bring valuable insight and knowledge to the Board.

Michael P. Schumaecker	Mr. Schumaecker was appointed to the Board of Directors in June, 2017. Mr. Schumaecker, is a retired partner of Pillsbury Winthrop Shaw Pittman LLP, an international law firm which focuses on the aviation, technology, energy and natural resources, financial services, real estate and construction, and travel and hospitality sectors. Mr. Schumaecker was a member of the law firm's Managing Board for over six years and the leader of the law firm's Finance practice group for over 10 years, a group that included the firm's Banking, Derivatives, Energy & Infrastructure Projects, Trade Finance and Transportation Finance practices. He has extensive experience in complex cross-border asset-based financings, trade finance, and infrastructure projects, particularly in the aviation and energy industries. Mr. Schumaecker has over 30 years of experience acting as counsel to airlines and lenders in both financial and commercial matters, including aircraft purchases and sales, operating and finance leases, pre-delivery payment financing, receivables financings, airport modernization projects, ticket clearance systems, fleet replacements, joint ventures, debt restructurings and insolvency proceedings. Mr. Schumaecker received a B.A. from Georgetown University and then served as an officer in the U.S. Army. After military service, he earned his J.D. (cum laude) from Brooklyn Law School where he was Editor-in-Chief of the Law Review. He then attended New York University School of Law where he received an LL.M. (corporate law).
Robert M. Stafford	Mr. Stafford has been a Director of the Company since June 12, 2013. Mr. Stafford is currently the Chairman and CEO of Stafford Capital Management, where he has worked since 1986, and the Managing Partner of Pacific Management Ltd., where he has also worked since 1986. Mr. Stafford received a bachelor's degree from Princeton University in 1963 and an MBA from Stanford Graduate School of Business in 1968. Mr. Stafford's extensive financial experience allows him to bring valuable insight and knowledge to the Board.
James T. Barry	Mr. Barry was named Chief Executive Officer of the Company in February 2003 and President in April 2003. He also serves on the Company's Executive Committee and Technology Advisory Committee. Since Mr. Barry joined the Company in 1998, he has held the positions of Chief Operating Officer, Chief Financial Officer, Secretary, and Executive Vice President. Mr. Barry has also been a Director of the Company since 2000. Mr. Barry currently serves as a Member of the Advisory Board, The Society of White House Military Aides as well as a Member of the Advisory Board, Center House Association. Previously, Mr. Barry was a Senior Vice President of Field Point Capital, Greenwich, CT, from 1998 to 2006. From 1989 to 1998, he was with DIANON Systems, Inc., most recently as Vice President of Marketing and Technology. Prior to DIANON, Mr. Barry was an officer in the United States Marine Corps. Mr. Barry's knowledge of the Company through his service as a Director, President, and Chief Executive Officer of the Company allows him to bring valuable insight and knowledge to the Board.
Louis J. Petrucelly	Mr. Petrucelly joined the Company as Senior Vice President, Chief Financial Officer, Treasurer and Secretary in October 2016. Mr. Petrucelly has more than 20 years of experience in multi-dimensional corporate finance, operations, and accounting. Previously, Mr. Petrucelly spent almost 10 years at FalconStor Software, Inc., a leading software-defined storage data services company, serving most recently as Executive Vice President, Chief Financial Officer, and Treasurer since August 2012. Mr. Petrucelly joined FalconStor Software, Inc. in March 2007 and held several senior financial positions. Prior to FalconStor Software, Inc., Mr. Petrucelly spent time in senior financial positions at both Granite Broadcasting Corporation and PASSUR Aerospace, Inc. He began his career with Ernst & Young, LLP. Mr. Petrucelly received his B.S. from the C.W. Post Campus of Long Island University.

(f) Involvement in Certain Legal Proceedings

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

(g) Identification of Audit Committee

Our Board of Directors has appointed an Audit Committee, consisting of six directors. The Audit Committee consists of Mr. Graziani, Mr. Schumaecker, Mr. Ekert, Mr. Haver, Mr. Cook and Mr. Stafford.

(h) Audit Committee Financial Expert

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

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

Section 16(a) of the Exchange Act requires the Company's directors, executive officers, and 10% stockholders to file reports of ownership and reports of change in ownership of the Company's Common Stock and other equity securities with the SEC. Directors, executive officers, and 10% stockholders are required to furnish the Company with copies of all Section 16(a) forms they file. Based on a review of the copies of such reports furnished, the Company believes that during the fiscal year ended October 31, 2019, the Company's directors, executive officers, and 10% stockholders filed on a timely basis all reports required by Section 16(a) of the Exchange Act.

(j) Board Nominations by Shareholders

There have not been any material changes to the procedures by which the Company's stockholders may recommend nominees to the Company's board of directors, as disclosed in the definitive proxy statement on Schedule 14A, filed on February 28, 2019, by the Company with the Securities and Exchange Commission in connection with the Company's 2019 Annual Meeting of Stockholders.

(k) Code of Ethics

The Company hereby incorporates by reference into this Item the information contained under the heading "Code of Ethics and Business Conduct" in the Company's definitive proxy statement that will be filed with the Securities and Exchange Commission within 120 days of October 31, 2019 (the "2020 Proxy Statement").

Item 11. Executive Compensation

The Company hereby incorporates by reference into this Item the information contained under the heading "Compensation Discussion and Analysis Compensation Philosophy and Objectives of Our Executive Compensation Program" in the 2020 Proxy Statement.

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

The Company hereby incorporates by reference into this Item the information contained under the headings "Security Ownership of Management" and "Security Ownership of Certain Beneficial Owners" in the 2020 Proxy Statement.

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

Item 13. Certain Relationships and Related Transactions

(a) Transactions with Related Persons

During the year ended October 31, 2019, the Company paid to G.S. Beckwith Gilbert, the Company's significant shareholder and Chairman, interest incurred on the Existing Gilbert Note, through July 31, 2019, for a total amount equal to $516,000. As of October 31, 2019, the Company's notes payable balance included accrued interest on the Existing Gilbert Note of $200,000, representing interest incurred during the fourth quarter of 2019. During fiscal year 2019, Mr. Gilbert loaned the Company an additional $2,100,000 to primarily fund the Company's near-term investment strategy to enhance the Company's technology platform, in the form of software development personnel, third-party contractors, and PASSUR Network infrastructure support. As of October 31, 2019, the loan balance totaled $8,150,000. Subsequent to October 31, 2019, Mr. Gilbert loaned the Company an additional $520,000. On January 27, 2020,the Company issued Mr. Gilbert the Sixth Replacement Note in the amount of $9,071,000 representing the outstanding principal and interest owed as of such date.

On January 27, 2020, the Company entered into a Sixth Debt Extension Agreement with Mr. Gilbert, effective January 27, 2020, pursuant to which the Company and Mr. Gilbert agreed to modify certain terms and conditions of the Existing Gilbert Note. The maturity date of the Existing Gilbert Note was due on November 1, 2020, and the total amount of principal and interest due for the fourth quarter of fiscal year 2019 and first quarter of fiscal year 2020 and owing as of January 27, 2020, was $9,071,000. Pursuant to the Sixth Debt Extension Agreement, the Company issued the Sixth Replacement Note to Mr. Gilbert in the amount of $9,071,000, equal to principal of $8,670,000 and accrued interest of $401,000, and cancelled the Existing Gilbert Note. The Company agreed to pay accrued interest equal to $401,000, included in the Sixth Replacement Note at the time and on the terms set forth in the Sixth Replacement Note. Under the terms of the Sixth Replacement Note, the maturity date was extended to November 1, 2021, and the annual interest rate remained at 9 3/4%. Interest payments under the Sixth Replacement Note shall be made annually on October 31st of each year. The note payable is secured by the Company's assets.

The Company has received a commitment from Mr. Gilbert, dated January 27, 2020, that if the Company, at any time, is unable to meet its obligations through January 27, 2021, 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.

(b) Director Independence

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

The Board has also determined that each member of the Company's Audit Committee is an "Independent Director" as defined under applicable NASDAQ Stock Market rules and pursuant to the Company's Audit Committee Charter (available at https://www.passur.com/wp-content/uploads/2015/06/Audit-Committee-Charter.pdf).

The Board has also determined that each member of the Company's Compensation Committee is an "Independent Director" pursuant to applicable NASDAQ Stock Market rules and the Company's Compensation Committee Charter (available at https://www.passur.com/wp-content/uploads/2016/11/Compensation-Committee-Charter.pdf).

Item 14. Principal Accounting Fees and Services

The Company hereby incorporates by reference into this Item the information contained under the heading "Audit and Audit Related Fees" and "Audit Committee's Pre-Approval Policies and Procedures" in the 2020 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of Documents Filed as a Part of This Annual Report on Form 10-K:

(1) Index to Consolidated Financial Statements Included in Part II of This Report:

(2) Index to Financial Statement Schedule: N/A

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

(b) Index to Exhibits

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

Exhibits

3.1	The Company's composite Certificate of Incorporation, dated as of January 24, 1990, is incorporated by reference from our Annual Report on Form 10-K for the fiscal year ended October 31, 1989.
3.1.1	The Company's Amendment No.1, dated as of April 5, 2017 to the Certificate of Incorporation, dated as of January 24, 1990, is incorporated by reference from Exhibit 3.1.1 to our Annual Report on Form 10-K for the fiscal year ended October 31, 2017.
3.2	The Company's By-laws, dated as of May 16, 1988, are incorporated by reference from Exhibit 3-14 to our Annual Report on Form 10-K for the fiscal year ended October 31, 1998.
3.2.1	Amendment to the Company's By-Laws, dated as of September 6, 2019, is incorporated by reference from Exhibit 31 to our Quarterly Report on Form 10-Q filed on September 11, 2019.
10.1	PASSUR Aerospace, Inc., 2019 Stock Incentive Plan is incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed on April 15, 2019.
10.2	Form of Award Agreement for PASSUR Aerospace, Inc., 2019 Stock Incentive Plan, is incorporated by reference from Exhibit 10.2 to our Current Report on Form 8-K filed on April 15, 2019.
10.3	Debt Conversion Agreement and Secured Promissory Note, dated May 9, 2011 is incorporated by reference from Exhibit 10.2 to our Current Report on Form 8-K filed on May 9, 2011.
10.4	Amendment No.1 to Secured Promissory Note, dated September 6, 2011 is incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K filed on September 7, 2011.
10.5	Commitment of G.S. Beckwith Gilbert, dated March 6, 2013 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on March 14, 2013.
10.6	Commitment of G.S. Beckwith Gilbert, dated June 10, 2013 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 13, 2013.
10.7	Commitment of G.S. Beckwith Gilbert, dated September 5, 2013 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on September 13, 2013.
10.8	Commitment of G.S. Beckwith Gilbert, dated January 16, 2014 is incorporated by reference from Exhibit 10.19 to our Annual Report on Form 10-K for the fiscal year ended October 31, 2013
10.9	Commitment of G.S. Beckwith Gilbert, dated March 7, 2014 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on March 13, 2014.
10.10	Commitment of G.S. Beckwith Gilbert, dated June 11, 2014 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 12, 2014.
10.11	Debt Extension Agreement, dated June 11, 2014 is incorporated by reference from Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on June 12, 2014.
10.12	Secured Promissory Note, dated June 11, 2014 is incorporated by reference from Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on June 12, 2014.
10.13	Commitment of G.S. Beckwith Gilbert, dated September 9, 2014 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on September 12, 2014.

10.14	Debt Extension Agreement, dated January 6, 2017, is incorporated by reference from Exhibit 10.14 to our Annual Report on Form 10-K filed on January 10, 2017.
10.15	Secured Promissory Note, dated January 6, 2017, is incorporated by reference from Exhibit 10.15 to our Annual Report on Form 10-K filed on January 10, 2017.
10.16	Debt Extension Agreement, dated as of February 9, 2018, is incorporated by reference from Exhibit 10.16 to our Annual Report on Form 10-K filed on February 13, 2018
10.17	Secured Promissory Note, dated as of February 9, 2018, is incorporated by reference from Exhibit 10.17 to our Annual Report on Form 10-K filed on February 13, 2018.
10.18	Commitment of G.S. Beckwith Gilbert, dated February 12, 2018 is incorporated by reference from Exhibit 10.18 to our Annual Report on Form 10-K filed on February 13, 2018.
10.19	Commitment of G.S. Beckwith Gilbert, dated March 14, 2018 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on March 14, 2018.
10.20	Commitment of G.S. Beckwith Gilbert, dated June 13, 2018 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 13, 2018.
10.21	Commitment of G.S. Beckwith Gilbert, dated September 14, 2018 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on September 14, 2018.
10.22	Debt Extension Agreement, dated as of January 28, 2019, by and between PASSUR Aerospace, Inc., and G.S. Beckwith Gilbert, is incorporated by reference from Exhibit 10.22 to our Annual Report on Form 10-K filed on January 29, 2019.
10.23	Secured Promissory Note, dated as of January 28, 2019, from PASSUR Aerospace, Inc., as Borrower, to G.S. Beckwith Gilbert, as Lender, is incorporated by reference from Exhibit 10.23 to our Annual Report on Form 10-K filed on January 29, 2019.
10.24	Commitment of G.S. Beckwith Gilbert, dated January 29, 2019, is incorporated by reference from Exhibit 10.24 to our Annual Report on Form 10-K filed on January 29, 2019.
10.25	Commitment of G.S. Beckwith Gilbert, dated March 18, 2019 is incorporated by reference from Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on March 18, 2019.
10.26	Commitment of G.S. Beckwith Gilbert, dated June 11, 2019 is incorporated by reference from Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on June 11, 2019.
10.27	Commitment of G.S. Beckwith Gilbert, dated September 11, 2019 is incorporated by reference from Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on September 11, 2019.
10.28*	Debt Extension Agreement, dated as of January 27, 2020, by and between PASSUR Aerospace, Inc., and G.S. Beckwith Gilbert.
10.29*	Secured Promissory Note, dated as of January 27, 2020, from PASSUR Aerospace, Inc., as Borrower, to G.S. Beckwith Gilbert, as Lender.
10.30*	Commitment of G.S. Beckwith Gilbert, dated January 27, 2020.
21	List of Subsidiaries is incorporated by reference from our Annual Report on Form 10-K report for the fiscal year ended October 31, 1981.

23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PASSUR AEROSPACE, INC.

Dated: January 27, 2020 By: /s/ James T. Barry
James T. Barry
President and Chief Executive Officer and Director

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

Dated: January 27, 2020 /s/ James T. Barry
James T. Barry
President and Chief Executive Officer and Director
(Principal Executive Officer)

Dated: January 27, 2020 /s/ Louis J. Petrucelly
Louis J. Petrucelly
Chief Financial Officer, Treasurer, and Secretary
(Principal Financial and Accounting Officer)

SIGNATURES (continued)

Dated: January 27, 2020	/s/ G.S. Beckwith Gilbert G.S. Beckwith Gilbert Non-Executive Chairman of the Board and Director
Dated: January 27, 2020	/s/ John F. Thomas John F. Thomas Executive Vice Chairman of the Board and Director
Dated: January 27, 2020	/s/ Brian G. Cook Brian G. Cook Director
Dated: January 27, 2020	/s/ Kurt J. Ekert Kurt J. Ekert Director
Dated: January 27, 2020	/s/ Paul L. Graziani Paul L. Graziani Director
Dated: January 27, 2020	/s/ Richard L. Haver Richard L. Haver Director
Dated: January 27, 2020	/s/ Ronald V. Rose Ronald V. Rose Director
Dated: January 27, 2020	/s/ Michael P. Schumaecker Michael P. Schumaecker Director
Dated: January 27, 2020	/s/ Robert M. Stafford Robert M. Stafford Director

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
PASSUR Aerospace, Inc. and Subsidiary
Stamford, CT

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of PASSUR Aerospace, Inc. and Subsidiary (the "Company") as of October 31, 2019 and 2018, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended October 31, 2019 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2019 and 2018, and the results of their operations and their cash flows for each of the two years in the period ended October 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2004.

Melville, New York
January 27, 2020

PASSUR Aerospace, Inc. and Subsidiary
Consolidated Balance Sheets
October 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 145,151	$ 100,856
Accounts receivable, net	1,141,282	1,186,664
Prepaid expenses and other current assets	249,118	199,173
Total current assets	1,535,551	1,486,693
PASSUR Network, net	3,948,542	4,800,750
Capitalized software development costs, net	8,319,134	8,141,589
Property and equipment, net	552,150	672,601
Other assets	91,883	112,551
Total assets	$ 14,447,260	$ 15,214,184
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,531,112	$ 989,958
Accrued expenses and other current liabilities	789,370	1,189,342
Deferred revenue, current portion	2,863,273	2,847,323
Total current liabilities	5,183,755	5,026,623
Deferred revenue, long term portion	377,760	409,971
Note payable - related party	8,350,058	6,050,000
Other Liabilities	79,958	113,273
Total liabilities	13,991,531	11,599,867
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 October 31, 2019 and 2018, respectively	84,804	84,804
Additional paid-in capital	17,958,165	17,345,450
Accumulated deficit	(15,653,562)	(11,882,259)
	2,389,407	5,547,995
Treasury stock, at cost, 784,435 shares at October 31, 2019 and 2018, respectively	(1,933,678)	(1,933,678)
Total stockholders' equity	455,729	3,614,317
Total liabilities and stockholders' equity	$ 14,447,260	$ 15,214,184

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary
Consolidated Statements of Operations
Years Ended October 31, 2019 and 2018

	2019	2018
Revenues	**$ 15,046,149**	$ 14,817,799
Cost of expenses:		
Cost of revenues	**8,368,025**	10,481,134
Research and development expenses	**556,261**	593,708
Selling, general, and administrative expenses	**9,253,583**	8,887,985
	18,177,869	19,962,827
Loss from operations	**$ (3,131,720)**	$ (5,145,028)
Interest expense - related party	**715,933**	335,948
Other Loss	**-**	(1,224)
Loss before income taxes	**(3,847,653)**	(5,479,752)
(Benefit)/Provision for income taxes	**(10,320)**	4,634
Net loss	**$ (3,837,333)**	$ (5,484,386)
Net loss per common share - basic	**$ (0.50)**	$ (0.71)
Net loss per common share - diluted	**$ (0.50)**	$ (0.71)
Weighted average number of common shares outstanding - basic	**7,696,091**	7,696,091
Weighted average number of common shares outstanding - diluted	**7,696,091**	7,696,091

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended October 31, 2019 and 2018

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Stockholders Equity
Balance at November 1, 2017	8,480,526	$ 84,804	$ 16,699,337	$ (6,397,873)	$ (1,933,678)	$ 8,452,590
Stock-based compensation expense			646,113			646,113
Net loss				(5,484,386)		(5,484,386)
Balance at October 31, 2018	**8,480,526**	**$ 84,804**	**$ 17,345,450**	**$ (11,882,259)**	**$ (1,933,678)**	**$ 3,614,317**
Stock-based compensation expense			**612,715**			**612,715**
Net loss				**(3,837,333)**		**(3,837,333)**
Effect of new accounting standard				**66,030**		**66,030**
Balance at October 31, 2019	**8,480,526**	**$ 84,804**	**$ 17,958,165**	**$ (15,653,562)**	**$ (1,933,678)**	**$ 455,729**

See accompanying notes to consolidated financial statements.

PASSUR Aerospace, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended October 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Net loss	$ (3,837,333)	$ (5,484,386)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,627,604	3,561,677
Provision for doubtful accounts	6,000	7,500
Provision for obsolete and slow moving PASSUR Network parts and supplies	-	229,500
Other Liabilities	(33,315)	113,273
Stock-based compensation	612,715	646,113
Loss from impairment charges	-	1,470,479
Changes in operating assets and liabilities:		
Accounts receivable	39,382	165,283
Prepaid expenses and other current assets	(92,217)	10,467
Other assets	20,668	57,084
Accounts payable	541,154	5,589
Accrued expenses and other current liabilities	(399,972)	(83,828)
Accrued interest - related party	200,058	-
Deferred revenue	49,769	(38,422)
Total adjustments	4,571,846	6,144,715
Net cash provided by operating activities	734,513	660,329
Cash flows used in investing activities		
PASSUR Network	(15,354)	(321,703)
Software development costs	(2,573,395)	(2,503,045)
Property and equipment	(201,469)	(259,871)
Net cash used in investing activities	(2,790,218)	(3,084,619)
Cash flows from financing activities		
Proceeds from notes payable - related party	2,100,000	2,250,000
Net cash provided by financing activities	2,100,000	2,250,000
Increase/(decrease) in cash	44,295	(174,290)
Cash - beginning of period	100,856	275,146
Cash - end of period	$ 145,151	$ 100,856
Supplemental cash flow information		
Cash paid during the period for:		
Interest - related party	$ 515,875	$ 336,000
Income taxes	$ (21,779)	$ (40,579)

See accompanying notes to consolidated financial statements.

1. Description of Business and Significant Accounting Policies

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 20 of the top 30 North American airports (with PASSUR solutions also used at the remaining ten airports by one or more airline customers), and eighty-seven business aviation customer locations, 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 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.

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

Liquidity

The Company’s current liabilities exceeded current assets, excluding deferred revenue by $785,000 as of October 31, 2019. The note payable to a related party, G.S. Beckwith Gilbert, the Company’s significant shareholder and Chairman, was $8,150,000 at October 31, 2019, with a maturity of November 1, 2021. The Company’s stockholders’ equity was $456,000 at October 31, 2019. The Company had a net loss of $3,837,000 for the year ended October 31, 2019.

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 Mr. Gilbert, dated January 27, 2020, that if the Company, at any time, is unable to meet its obligations through January 27, 2021, 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.

Basis of Presentation

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

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

Revenue Recognition Policy

The Company recognizes revenue in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, “*Revenue from Contracts with Customers” ("Topic 606")*. The Company accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party’s rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable the Company will collect substantially all of the consideration to which it is entitled.

The Company derives revenue primarily from subscription-based, real-time decision and solution information and professional services. Revenues are recognized when control of these services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company recognized revenue during the fiscal year ended October 31, 2019, of $15,046,000 under Topic 606, which was not materially different from what would have been recognized under Accounting Standards Codification ("ASC") Topic 605, “*Revenue Recognition” ("Topic 605")*. The Company recorded an addition to opening accumulated deficit and a reduction to deferred revenue of approximately $66,000, respectively, as of November 1, 2018 due to the impact of adopting Topic 606.

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

A. Nature of performance obligations

Subscription services revenue

Subscription services revenue is comprised of cloud-based subscription fees that provide the customer the right to access the Company's software and receive support and updates, if any, for a period of time. The Company has determined such access represents a stand-ready service provided continually throughout the contract term. As such, control and satisfaction of this stand-ready performance obligation is deemed to occur over time. The Company's subscription contracts include a fixed amount of consideration that is recognized ratably over the non-cancelable contract term, beginning on the date that access is made available to the customer. The passage of time is deemed to be the most faithful depiction of the transfer of control of the services as the customer simultaneously receives and consumes the benefit provided by the Company's performance. Subscription contracts are generally one to three years in length, billed either monthly, quarterly or annually, typically in advance, which coincides with the terms of the agreement. The Company's subscription contracts do not have a significant financing component and customer invoices are typically due within 30 days. There is no significant variable consideration related to these arrangements. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether transfer of control to customers has occurred.

Professional services revenue

Professional services primarily consist of value assessments and customer training services. Payment for professional services is generally a fixed fee or a fee based on time and materials. The obligation to provide professional services is generally satisfied over time, with the customer simultaneously receiving and consuming the benefits as the Company satisfies its performance obligations. For professional services, revenue is recognized by measuring progress toward the complete satisfaction of the Company's obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of total estimated hours, and as a practical expedient, progress for services that are contracted for time and materials is generally based on the amount the Company has the right to invoice. Professional services contracts are generally one year or less in length, billed either in advance, upon pre-defined milestones or as services are rendered, which coincides with the terms of the agreement. The Company's professional service contracts do not have a significant financing component and customer invoices are typically due within 30 days.

Material rights

Contracts with customers may include material rights which are also performance obligations. Material rights primarily arise when the contract gives the customer the right to renew subscription services at a discounted price in the future. This may occur from time to time when the Company's contracts provide an implicit discount as the customer pays a nonrefundable up-front fee in connection with the initial services contract that it does not have to pay again in order to renew the service. These non-refundable up-front fees are not related to any promised service that the customer benefits from other than providing access to the subscription service. Revenue allocated to material rights is recognized when the customer exercises the right over the estimated renewal period of five years or when the right expires. If exercised by the customer, the amount previously deferred for the material right is included in the transaction price of the renewal contract and allocated to the services included in that contract. If expired, revenue is recognized as subscription services revenue in the period the right expired. If the up-front fees do not provide the customer with a material right, then the amount is included in the transaction price of the initial services contract and allocated to the performance obligations in that contract.

Contracts with Multiple Performance Obligations

Some of the Company's contracts with customers contain multiple distinct performance obligations. For these contracts, the transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The standalone selling price reflects the price the Company would charge for a specific service if it was sold separately in similar circumstances and to similar customers. The Company maximizes the use of directly observable transactions to determine the standalone selling prices for its performance obligations. For subscription services, the Company separately determines the standalone selling prices by type of solution and customer demographics. For professional services, the Company separately determines standalone selling price by type of services.

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

Other policies and judgments

The commissions that the Company pays for obtaining a contract with a customer are conditional on future service provided by the employee. Therefore, since these costs are not incremental solely based on obtaining a contract, the Company does not defer any commission costs.

B. Disaggregation

The disaggregation of revenue by customer and type of performance obligation is as follows:

Revenue by type of customer:	**Year Ended October 31, 2019**
Airlines	$ 9,349,000
Airports	5,608,000
Other	89,000
Total Revenue	$ 15,046,000

Revenue by type of performance obligation:	**Year Ended October 31, 2019**
Subscription services	$ 14,736,000
Professional services	310,000
Total Revenue	$ 15,046,000

C. Contract Balances

The opening and closing balances of the Company's accounts receivable, unbilled receivables, and deferred revenues are as follows:

	Accounts Receivable	**Unbilled Receivable**	**Deferred Revenue**
Balance at November 1, 2018	$ 1,175,000	$ 12,000	$ 3,191,000
Balance at October 31, 2019	$ 1,041,000	$ 100,000	$ 3,241,000

The difference in the opening and closing balances of the Company’s unbilled receivable and deferred revenue primarily results from the timing difference between the Company’s performance and the customer’s payment.

Deferred revenue includes amounts billed to customers for which the revenue recognition criteria has not yet been met. Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from the Company’s subscription services and, to a lesser extent, professional services. Deferred revenue is recognized as the Company satisfies its performance obligations. The Company generally invoices its customers in monthly, quarterly or annual installments for subscription services. Accordingly, the deferred revenue balance does not generally represent the total contract value of annual or multi-year, non-cancelable subscription arrangements. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent. The amount of revenue recognized during the fiscal year ended October 31, 2019 that was included in the deferred revenue balance at November 1, 2018 was $2,809,000.

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

Unbilled accounts receivable relates to the delivery of subscription and professional services for which the related billings will occur in a future period.

D. Transaction Price Allocated to the Remaining Performance Obligation

The following table discloses the aggregate amount of the transaction price allocated to the remaining performance obligations as of the end of the reporting period, and when the Company expects to recognize the revenue.

	12 months or less	Greater than 12 months *
Subscription services	$ 5,342,000	$ 1,879,000
Professional services	$ 84,000	$ -
Material rights	$ 194,000	$ 373,000

*Approximately 95% of these amounts are expected to be recognized between 12 and 36 months.

The table above includes amounts billed and not yet recognized as revenue, as well as, unrecognized future committed billings in customer contracts and excludes future billing amounts for which the customer has a termination for convenience right in their agreement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“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.

Subsequent Events

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

Accounts Receivable, net

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 $100,000 of unbilled receivables associated with contractually committed services provided to existing customers during the twelve months ended October 31, 2019, which will be invoiced subsequent to October 31, 2019. As of October 31, 2018, the Company’s accounts receivable balance included $12,000 of unbilled receivables associated with contractually committed services provided to existing customers.

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

The provision for doubtful accounts was $165,000 and $159,000 as of October 31, 2019, and 2018, 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.

Property and Equipment

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

PASSUR Network

The PASSUR Network is comprised of PASSUR and SMLAT Systems, which include the direct production, shipping, and installation costs incurred for each PASSUR and SMLAT System, which are recorded at cost, net of accumulated depreciation. Depreciation is charged to cost of revenues and is recorded using the straight-line method over the estimated useful life of the asset, which is estimated at five years for SMLAT Systems and seven years for PASSUR Systems. PASSUR and SMLAT Systems which are not installed, raw materials, work-in-process, and finished goods components are carried at cost and 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 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.

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

During the fiscal year ended October 31, 2018, the Company recorded approximately $230,000, $510,000 and $960,000, a total of $1,700,000, of costs associated with an increase in the provision for obsolete and slow moving PASSUR Network parts and supplies, an impairment charge and write-off of carrying amounts related to certain PASSUR Network systems, and capitalized software development costs, respectively. Please refer to footnotes below for further details. The Company did not have any additions to inventory reserves, impairment charges, or write-offs during the fiscal year ended October 31, 2019.

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 Systems added to the network, which includes the cost of production, shipment, and installation of these assets, which are capitalized to the PASSUR Network and (2) new capitalized costs associated with software development projects. Both of these are referred to as “Capitalized Assets” and are depreciated and/or amortized over their respective useful lives and charged to cost of revenues.

Income Taxes

The Company follows the liability method of accounting for income taxes. Deferred income taxes are recorded to reflect the temporary differences in the tax bases of the assets or liabilities and their reported amounts in the financial statements. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company’s financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount currently estimated to be realized. After considering the impact of the current year loss, including the Company’s increased expenses and weighting all available positive and negative evidence, the Company concluded that it was not more likely than not that the net deferred tax asset would be realized.

The Company follows ASC 740, “Income Taxes,” (“ASC 740”) where tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in tax returns that do not meet these recognition and measurement standards. At October 31, 2019, the Company did not have any uncertain tax positions. As permitted by ASC 740-10, the Company’s accounting policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision.

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, the effects of changes in tax rates and laws are recognized in the period which the new legislation is enacted. The TCJA made broad and complex changes to the U.S. tax code, including, but not limited to: (1) reduced the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018; (2) changed rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (3) accelerated expensing on certain qualified property; (4) created a new limitation on deductible interest expense to 30% of tax adjusted EBITDA through 2021 and then 30% of tax adjusted EBIT thereafter; (5) eliminated the corporate alternative minimum tax; and (6) further limited the deductibility of executive compensation under IRC §162(m) for tax years beginning after December 31, 2017. As the reduction in the U.S. federal corporate tax rate was administratively effective on January 1, 2018, the Company’s blended U.S. federal tax rate for the year ended October 31, 2018 was approximately 23.2%. The U.S. federal corporate tax rate for the fiscal year ended on and after October 31, 2019 is 21%.

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

In response to the TCJA, the U.S. Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provided 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, Income Taxes in the reporting period in which the TCJA was enacted. SAB 118 addressed situations where the accounting was incomplete for certain income tax effects of the TJCA upon issuance of a company's financial statements for the reporting period which include the enactment date. SAB 118 allowed for a provisional amount to be recorded if it was a reasonable estimate of the impact of the TCJA. Additionally, SAB 118 allowed 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 TCJA, the Company recorded income tax benefit of $1,127,000 related to the re-measurement of our deferred tax assets and liabilities for the reduced U.S. federal corporate tax rate of 21%. Such amount was fully offset by a change in our valuation allowance. The Company's accounting for the TCJA was complete as of October 31, 2018, with no significant differences from our provisional estimates.

Research and Development Costs

Research and development costs are expensed as incurred.

Net Loss per Share Information

Basic net loss per share is computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed similarly to basic earnings per share, except that it reflects the effect of common shares issuable upon exercise of stock options, using the treasury stock method in periods in which they have a dilutive effect. Shares used to calculate net loss per share for fiscal years 2019 and 2018 are as follows:

	2019	2018
Basic Weighted average shares outstanding	**7,696,091**	7,696,091
Effect of dilutive stock options	**-**	-
Diluted weighted average shares outstanding	**7,696,091**	7,696,091
Weighted average shares which are not included in the calculation of diluted net loss per share because their impact is anti-dilutive. These shares consist of stock options.	**1,847,000**	1,522,000

Weighted average options to purchase 1,847,000 and 1,522,000 shares of common stock at prices ranging from $1.10 to $5.00 per share that were outstanding during fiscal years 2019 and 2018, were excluded from each respective year's computation of diluted earnings per share. In each of these years, such options' exercise prices exceeded the average market price of our common stock, thereby causing the effect of such options to be anti-dilutive.

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

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.

Stock-Based Compensation

The Company follows FASB ASC 718 "Compensation-Stock Compensation," which requires measurement of compensation cost for all stock-based awards at fair value on date of grant, and recognition of stock-based compensation expense over the service period for awards expected to vest. The fair value of stock options was determined using the Black-Scholes valuation model. Such fair value is recognized as an expense over the service period, net of forfeitures. Stock-based compensation expense was $613,000 and $646,000 for the year ended October 31, 2019 and 2018, respectively, and was primarily included in selling, general, and administrative expenses.

Comprehensive Loss

The Company's comprehensive loss is equivalent to that of the Company's total net loss for fiscal years 2019 and 2018.

Recent Accounting Pronouncements Adopted

In May 2014, the FASB issued Topic 606. Topic 606 supersedes the revenue recognition requirements in Topic 605 and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, "*Other Assets and Deferred Costs - Contracts with Customers*," which requires the deferral of incremental costs of obtaining a contract with a customer.

On November 1, 2018, the Company adopted Topic 606 using the modified retrospective transition method which resulted in an adjustment to retained earnings for the cumulative effect of applying the standard to all contracts not completed as of the adoption date. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Revenue recognition remained substantially unchanged following adoption of Topic 606 and therefore the adoption of Topic 606 did not have a material impact on revenues. The primary impact of adopting Topic 606 relates to the accounting for nonrefundable up-front fees. The Company recognized revenue during the fiscal year ended October 31, 2019, of $15,046,000 under Topic 606, which was not materially different from what would have been recognized under Topic 605. The Company recorded an addition to opening accumulated deficit and a reduction to deferred revenue of approximately $66,000, respectively, as of November 1, 2018 due to the impact of adopting Topic 606.

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

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. The Company adopted this guidance during the quarter ended January 31, 2019, using the prospective method, with no material impact to its consolidated financial statements and related disclosures.

Accounting Pronouncements Issued but not yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” requiring lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. During July 2018, the FASB issued additional updates to the new lease accounting standard. ASU No. 2018-10, “Codification Improvements to Topic 842, Leases” clarifies certain aspects of the new lease accounting standard. In addition, ASU No. 2018-11, “Leases (Topic 842): Targeted Improvements” provides companies with the option to apply the provisions of the new lease accounting standard on the date of adoption (effective date of November 1, 2019 for the Company), and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, without adjusting the comparative periods presented, as initially required.

The Company will adopt the new lease accounting standard as of November 1, 2019 and has elected to apply the provisions of the standard on the date of adoption. Accordingly, the Company will not restate prior year comparative periods for the impact of the new lease accounting standard. The Company will elect the package of practical expedients permitted under the transition guidance within the new lease accounting standard, which permits the Company not to reassess the following for any expired or existing contracts: (i) whether any contracts contain leases; (ii) lease classification (i.e. operating lease or finance/capital lease); and (iii) initial direct costs.

The Company anticipates that the adoption of the new lease accounting standard will result in the recognition of approximately $1,400,000 to $1,600,000 of right-of-use assets and lease liabilities at November 1, 2019, consisting primarily of operating leases relating to real estate for offices and PASSUR and SMLAT systems. Adoption of this standard will not materially impact the Company’s Consolidated Statement of Operations or Consolidated Statement of Cash Flows.

2. Property and Equipment, net

Property and equipment consist of the following as of October 31, 2019 and 2018:

	Estimated useful lives	2019	2018
Leasehold improvements	3-5 years	$ 216,000	$ 216,000
Equipment	5-10 years	6,413,000	6,212,000
Furniture and fixtures	5-10 years	593,000	593,000
		7,222,000	7,021,000
Less accumulated depreciation		6,670,000	6,348,000
Total		$ 552,000	$ 673,000

2. Property and Equipment, net (continued)

The Company recorded depreciation expense on the assets included in property and equipment of $322,000 and $439,000 for the year ended October 31, 2019 and 2018, respectively.

3. PASSUR Network, net

PASSUR Network consists of the following as of October 31, 2019 and 2018:

	2019	2018
PASSUR Network, beginning balance	**$ 19,242,000**	$ 19,788,000
Additions	**15,000**	322,000
Disposals	**(355,000)**	(128,000)
Write-off	-	(510,000)
Inventory reserve	-	(230,000)
Total capitalized PASSUR Network costs	**18,902,000**	19,242,000
Less accumulated depreciation	**14,953,000**	14,441,000
PASSUR Network, ending balance, net	**$ 3,949,000**	$ 4,801,000

The Company capitalized $61,000 and $242,000, of PASSUR Network costs, for the year ended October 31, 2019 and 2018, respectively. Depreciation expense related to the Company-owned PASSUR Network was $868,000 and $785,000 for the years ended October 31, 2019 and 2018, respectively. Depreciation is charged to cost of revenues and is calculated using the straight-line method over the estimated useful life of the asset, which is estimated at seven and five years for PASSUR and SMLAT systems, respectively.

Additionally, the Company purchased parts for the PASSUR Network totaling $3,000 and $152,000, during the year ended October 31, 2019 and 2018, respectively. The Company used $49,000 and $73,000 of PASSUR Network parts for repairs during the year ended October 31, 2019 and 2018, respectively.

The net carrying balance of the PASSUR Network as of October 31, 2019 and 2018 was $3,949,000 and $4,801,000, respectively. Included in the net carrying balance as of October 31, 2019, were parts and finished goods for PASSUR and SMLAT Systems totaling $1,298,000 and $533,000, respectively, which have not yet been installed. As of October 31, 2018, $1,316,000 and $576,000 of parts and finished goods for PASSUR and SMLAT systems, respectively, were included in the net carrying balance of the PASSUR Network. PASSUR and SMLAT Systems which are not installed are carried at cost and not depreciated until installed.

As of October 31, 2019, depreciation expense for the PASSUR Network assets, where depreciation has commenced, is estimated to approximate $854,000, $610,000, $442,000, $136,000, and $47,000, for the fiscal years ended October 31, 2020, 2021, 2022, 2023 and 2024, respectively.

During fiscal year 2018, the Company increased its reserve for PASSUR Network parts and supplies by $230,000, bringing the reserve to approximately $270,000. Additionally, during fiscal year 2018, the Company determined that certain PASSUR Network assets were no longer likely to generate future revenue as a result of a change in a customer's requirements at a specific location, which resulted in an impairment charge and write-off of approximately $510,000. These costs were recorded within "Cost of Revenues". During the year ended October 31, 2019, the Company disposed of four PASSUR Network assets, with a net book value of zero. During the year ended October 31, 2018, the Company disposed of one PASSUR Network asset, with a net book value of zero and deinstalled and returned to inventory, one PASSUR Network asset with a net book value of $23,000. The Company did not record any impairments related to any of the PASSUR Network assets in fiscal year 2019.

4. Capitalized Software Development Costs

PASSUR Software Development costs consist of the following as of October 31, 2019 and 2018:

	2019	2018
Software development costs, beginning balance	**$ 21,159,000**	$ 19,918,000
Additions	**2,573,000**	2,503,000
Impairment charge	-	(1,262,000)
Total capitalized software development costs	**23,732,000**	21,159,000
Less accumulated amortization	**15,413,000**	13,017,000
Software development costs, ending balance, net	**$ 8,319,000**	$ 8,142,000

The Company's capitalization of software development projects was $2,573,000 and $2,503,000 for the year ended October 31, 2019 and 2018, respectively. Amortization expense related to capitalized software development projects was $2,396,000 and $2,295,000 for the year ended October 31, 2019 and 2018, respectively.

As of October 31, 2019, amortization expense for capitalized software development costs where amortization has commenced is estimated to approximate $2,519,000, $2,082,000, $1,589,000, $923,000, and $234,000, for the fiscal years ending October 31, 2020, 2021, 2022, 2023 and 2024, respectively. As of October 31, 2019, the Company had $973,000 of capitalized software development costs relating to projects currently still in development, therefore, are not yet subject to amortization.

During fiscal year 2018, the Company reviewed the value of its capitalized software products and determined that some capitalized software products would no longer be marketed or made available for subscription sales as currently developed, which resulted in an impairment charge of the net carrying amount of approximately $960,000. These costs were recorded within "Cost of Revenues". The Company did not record any impairments related to capitalized software development projects in fiscal year 2019.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following as of October 31, 2019 and 2018:

5. Accrued Expenses and Other Current Liabilities (continued)

		2019		2018
Payroll, payroll taxes, and benefits	$	**186,000**	$	304,000
Professional fees		**197,000**		272,000
Travel expenses		**73,000**		142,000
Accrued rent		**151,000**		151,000
Other liabilities		**182,000**		320,000
Total	$	**789,000**	$	1,189,000

6. Notes Payable

During the year ended October 31, 2019, the Company paid G.S. Beckwith Gilbert, the Company's significant shareholder and Chairman, interest incurred on the existing debt agreement with Mr. Gilbert (the "Existing Gilbert Note") through July 31, 2019, for a total amount equal to $516,000. During fiscal year 2019, Mr. Gilbert loaned the Company an additional $2,100,000 to primarily fund the Company's near-term investment strategy to enhance the Company's technology platform, in the form of software development personnel, third-party contractors, and PASSUR Network infrastructure support. As of October 31, 2019, the loan balance totaled $8,150,000.

During the first quarter of fiscal year 2020, Mr. Gilbert loaned the Company an additional $520,000. On January 27, 2020, the Company issued Mr. Gilbert the Sixth Replacement Note in the amount of $9,071,000 representing the outstanding principal and interest owed as of such date.

During the year ended October 31, 2018, the Company paid interest to Mr. Gilbert of $336,000, representing the entire fiscal year 2018 interest due, thereby meeting the payment requirements of the loan agreement. During fiscal year 2018, Mr. Gilbert loaned the Company an additional $2,250,000 to primarily fund the Company's near-term investment strategy to enhance the Company's technology platform. As of October 31, 2018, the loan balance totaled $6,050,000.

On January 27, 2020, the Company entered into a Sixth Debt Extension Agreement with Mr. Gilbert, effective January 27, 2020, pursuant to which the Company and Mr. Gilbert agreed to modify certain terms and conditions of the Existing Gilbert Note. The maturity date of the Existing Gilbert Note was due on November 1, 2020, and the total amount of principal and interest due for the fourth quarter of fiscal year 2019 and first quarter of fiscal year 2020 and owing as of January 27, 2020, was $9,071,000. Pursuant to the Sixth Debt Extension Agreement, the Company issued a new note to Mr. Gilbert in the amount of $9,071,000 (the "Sixth Replacement Note") equal to principal of $8,670,000 and accrued interest of $401,000, and cancelled the Existing Gilbert Note. The Company agreed to pay accrued interest equal to $401,000, included in the Sixth Replacement Note, at the time and on the terms set forth in the Sixth Replacement Note. Under the terms of the Sixth Replacement Note, the maturity date was extended to November 1, 2021, and the annual interest rate remained at 9 3/4%. Interest payments under the Sixth Replacement Note shall be made annually on October 31st of each year. The note payable is secured by the Company's assets.

The Company has paid all interest incurred on the Existing Gilbert Note through July 31, 2019, totaling $516,000. As of October 31, 2019, the Company's notes payable balance included accrued interest on the Existing Gilbert Note of $200,000, representing interest incurred during the fourth quarter of 2019. The amendments to the Sixth Replacement Note was determined to be a modification of the debt instrument and no gain or loss was recorded as a result of the transactions.

The Company evaluated its financial position at October 31, 2019, including an operating loss of $3,132,000 and working capital deficit of $3,648,000 and has requested and received a commitment from G.S. Beckwith Gilbert, dated January 27, 2020, that if the Company, at any time, is unable to meet its obligations through January 27, 2021, 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.

7. Leases

The Company’s headquarters, located in Stamford, Connecticut, are subject to a lease through June 30, 2023, at an average annual rental rate of $220,000. The Company’s software development and manufacturing facility, located in Bohemia, New York, is subject to a lease through October 31, 2020, at an average annual rental rate of $139,000. The Company’s primary software development facility, located in Orlando, Florida, is subject to a lease through August 31, 2021, at an average annual rental rate of $72,000. The company also has a regional office in Vienna, Virginia, which is subject to a lease through July 31, 2021, at an average rental rate of $83,000. An additional regional office in Irving, Texas is subject to a lease through April 30, 2023, at an annual rate of $60,000. These leases provide for additional payments of real estate taxes and other operating expenses over the base amount in the rental agreement. Other short-term operating leases are included below. All other operating leases are under a month-to-month arrangement. Rent expense, which includes utilities, was $655,000 and $618,000 for the year ended October 31, 2019 and 2018, respectively.

Fiscal Year Ended October 31:	**Contractual obligations under operating leases**
2020	609,833
2021	437,746
2022	308,520
2023	195,183
Thereafter	-
Total minimum contractual obligations	$ 1,551,282

8. Income Taxes

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

The income tax expense for fiscal years ended October 31, 2019 and 2018 consisted of the following:

8. Income Taxes (continued)

	2019	2018
Current:		
Federal	**$ -**	$ -
State	**$ (10,000)**	$ 5,000
Income tax provision-current	**$ (10,000)**	$ 5,000
Deferred:		
Federal	**$ -**	$ -
State	**$ -**	$ -
Total income tax (benefit)/expense, net	**$ (10,000)**	$ 5,000

The difference between income taxes expected at the U.S federal statutory income tax rate and the reported income tax expense are summarized as follows:

	2019		2018	
	Amount	**Percent**	Amount	Percent
U.S. statutory tax	**$ (808,000)**	**21.0%**	$ (1,273,000)	23.2%
Stock compensation	**102,000**	**-2.6%**	128,000	-2.3%
Meals and entertainment	**9,000**	**-0.2%**	9,000	-0.2%
State tax, net of federal benefit	**(164,000)**	**4.2%**	(209,000)	3.8%
Tax law changes (U.S. Tax Reform)	**-**	**0.0%**	1,127,000	-20.5%
Other	**44,000**	**-1.1%**	(44,000)	0.8%
Change in Valuation Allowance	**807,000**	**-21.0%**	267,000	-4.9%
Income tax (benefit)/expense, net	**$ (10,000)**	**0.3%**	$ 5,000	-0.1%

The tax effect of temporary differences that give rise to deferred tax assets and liabilities as of October 31, 2019 and 2018 is as follows:

8. Income Taxes (continued)

		2019		2018
Deferred tax assets and liabilities:				
Net operating loss carry-forward	**$**	**3,758,000**	$	3,037,000
Deferred Revenue		**92,000**		84,000
Allowance for doubtful accounts receivable		**43,000**		41,000
Stock compensation-nonqualified		**205,000**		171,000
Accruals		**81,000**		104,000
Deferred rent		**29,000**		37,000
Deferred interest		**97,000**		-
Depreciation		**(427,000)**		(402,000)
Sub-total	**$**	**3,878,000**	$	3,072,000
Valuation allowance		**(3,878,000)**		(3,072,000)
Deferred tax assets and liabilities	**$**	**-**	$	-

At October 31, 2019, the Company had available a federal net operating loss carryforward of $15,565,000, of which $2,785,000 are indefinite lived and $12,780,000 will expire in various tax years from fiscal year 2022 through fiscal year 2038.

At October 31, 2019 and 2018, the Company did not have any uncertain tax positions. As permitted by ASC 740-10, the Company's accounting policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision. The Company's tax return years that are subject to examination by taxing authorities are fiscal years 2016 through 2019.

9. Stock-Based Compensation

On February 26, 2019, the Board of Directors of the Company, subject to shareholder approval, unanimously adopted the 2019 Stock Incentive Plan (the "Plan"), to replace the Company's 2009 Stock Incentive Plan, as amended (the "2009 Plan"), which expired on February 24, 2019. The Plan became effective upon the date of its adoption by the Board, subject to shareholder approval within twelve months of the date of such adoption. The Plan provides for the granting of stock options for up to 5,000,000 shares of the Company's common stock. On April 9, 2019, the Company's shareholders approved the Plan.

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

Information with respect to the Company's stock options for fiscal years 2019 and 2018 is as follows:

9. Stock-Based Compensation (continued)

	Number of stock options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Stock options outstanding at November 1, 2017	1,594,000	$ 3.52	**6.9**	**$ 84,000**
Stock options granted	82,500	$ 2.38		
Stock options exercised	-	$ 0.00		
Stock options forfeited	(154,500)	$ 3.43		
Stock options outstanding at October 31, 2018	**1,522,000**	**$ 3.47**	**6.2**	**$ 1,800**
Stock options granted	**542,500**	**$ 1.96**		
Stock options exercised	**-**	**$ 0.00**		
Stock options forfeited	**(217,500)**	**$ 1.98**		
Stock options outstanding at October 31, 2019	**1,847,000**	**$ 3.20**	**6.4**	**$ 2,200**
Stock options exercisable at October 31, 2019	**995,000**	**$ 3.59**	**4.7**	**$ -**

The weighted average grant date fair value of the Company's stock options granted during fiscal years 2019 and 2018 was $1.96 and $2.38, respectively. There were no stock options exercised during fiscal year 2019 and 2018.

The Company's stock options vest over a period of five years. The fair value for these stock options was estimated at the date of grant using a Black-Scholes stock option pricing model, with the following weighted average assumptions for fiscal years 2019 and 2018:

	Years ended October 31, 2019	Years ended October 31, 2018
Expected dividend yield	0%	0%
Expected volatility	87 - 117%	93 - 117%
Risk-free interest rate	1.43 – 2.94%	2.24 - 2.91%
Expected term (years)	6.5	6.5
Discount for post-vesting restrictions	N/A	N/A

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

	2019	2018
Cost of revenues	**$ 17,000**	$ 25,000
Research and development	**$ 110,000**	$ 110,000
Selling, general and administrative	**$ 486,000**	$ 511,000
	$ 613,000	$ 646,000

9. Stock-Based Compensation (continued)

The following table summarizes the plans under which the Company granted equity compensation as of October 31, 2019:

Name of Plan	Shares Authorized	Shares Available for Grant	Shares Outstanding	Last Date for Grant of Shares
PASSUR Aerospace, Inc., 2009 Stock Incentive Plan	3,000,000	0	1,529,599	February 24, 2019
PASSUR Aerospace, Inc., 2019 Stock Incentive Plan	5,000,000	4,682,500	317,500	February 26, 2029

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

There was $1,249,000 of unrecognized stock-based compensation costs expected to be recognized over a weighted average period of 3.0 years as of October 31, 2019. The Company had 852,000 shares in unvested stock-based options as of October 31, 2019.

10. Major Customers

The Company's principal business is to provide predictive analytics and decision support technology for the aviation industry to primarily improve the operational performance and cash flow of airlines. The Company believes it operates in one operating segment. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Three customers accounted for 55%, or $8,296,000, of total revenues in fiscal year 2019. One customer accounted for 24% or $3,599,000, a second customer accounted for 20% or $2,985,000, and a third customer accounted for 11% or $1,713,000 of total revenues in fiscal year 2019. Three customers accounted for 53%, or $7,798,000, of total revenues in fiscal year 2018. One customer accounted for 23% or $3,344,000, a second customer accounted for 20% or $2,995,000, and a third customer accounted for 10% or $1,459,000 of total revenues in fiscal year 2018.

As of October 31, 2019, the Company had three customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 19%, or $224,000, a second customer accounted for 14%, or $173,000, and a third customer accounted for 13% or $158,000. As of October 31, 2018, the Company had two customers each of which accounted for 10% or more of the accounts receivable balance. One customer accounted for 33%, or $446,000, and a second customer accounted for 21%, or $278,000. Credit losses historically have been immaterial, although, there is one customer, which is not one of the major customers described above, with a significant past due accounts receivable balance, which the Company has fully reserved as of the fiscal year ended October 31, 2019.

The Company had foreign sales of $1,226,000 and $978,000 in fiscal years 2019 and 2018, respectively. All sales, including foreign sales, are denominated in U.S. dollars.

DEBT EXTENSION AGREEMENT

This Debt Extension Agreement (this "Agreement") is made and entered into as of this 27th day of January 2020, by and between G. S. Beckwith Gilbert, of 35 Vista Drive, Greenwich, CT 06830 ("Lender"), and PASSUR Aerospace, Inc. (formerly MEGADATA CORPORATION), a New York corporation, with a principal place of business at One Landmark Square, Suite 1900, Stamford, CT 06901 ("Borrower" or "PASSUR Aerospace"):

WITNESSETH

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

WHEREAS, Lender and PASSUR Aerospace desire to modify certain terms and conditions of the debt extension agreement that was signed on January 28, 2019 that extended the original note to November 1, 2020 (the "Fifth Replacement Note"), as of the date of this Agreement and issue a sixth replacement promissory note (the "Sixth Replacement Note") in exchange for the Fifth Replacement Note and other value received upon the terms and conditions set forth herein (the "Exchange"); and

WHEREAS, the total amount due and owing under the promissory note as of January 27, 2020 is $9,070,951, equal to a principal of $8,670,000 and accrued interest of $400,951, under the terms of the Sixth Replacement Note.

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

1. MODIFICATION OF PREVIOUS NOTES:

The Fifth Replacement Note shall be exchanged for the Sixth Replacement Note as set forth herein. Notwithstanding the foregoing, after the effectiveness of the Exchange, PASSUR Aerospace and the Lender agree that PASSUR Aerospace shall pay to Lender all of the accrued interest as of the date hereof under the Fifth Replacement Note, which is equal to $400,951, under the terms of the Sixth Replacement Note.

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

For value received, on the date hereof, PASSUR Aerospace shall issue the Sixth Replacement Note to Lender in the aggregate amount of $9,070,951, equal to a principal of $8,670,000 and accrued interest of $400,951, in exchange for the Fifth Replacement Note. The Sixth Replacement Note will be in the form attached as Exhibit A hereto and will have the following terms:

(a) TERM. The principal and accrued interest amount of the Sixth Replacement Note, shall be paid in full on or by November 1, 2021.

(b) INTEREST. The Sixth Replacement Note or any New Replacement Note shall bear interest on the unpaid principal amount, from the date of issuance until paid in full at maturity. Interest shall be payable at the annual rate of 9¾% from January 27, 2020 to November 1, 2021 payable in cash. Interest payments shall be made annually at October 31 of each year.

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

(d) SECURITY INTEREST: The security interest previously conveyed to lender shall continue in full force and effect as an integral part of the Sixth Replacement Note, as described in Section 3 of the Sixth Replacement Note.

3. MISCELLANEOUS.

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

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

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

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

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

[*Signature page follows*]

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

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

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

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

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

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

January 27, 2020

SECURED PROMISSORY NOTE

$9,070,951

STAMFORD, CONNECTICUT
AS OF JANUARY 27, 2020

For value received, PASSUR Aerospace, Inc. (formerly MEGADATA CORPORATION), a New York corporation (hereinafter referred to as "Borrower"), hereby unconditionally PROMISES TO PAY to the order of G.S. Beckwith Gilbert ("Lender"), or his permitted assigns, to an account designated by Lender, in lawful money of the United States of America and in immediately available funds, the sum of nine million seventy thousand nine hundred and fifty-one dollars ($9,070,951), equal to a principal of $8,670,000 and accrued interest of $400,951. Interest shall be payable at the annual rate of 9 ¾% from January 27, 2020 to November 1, 2021 payable in cash. Interest payments shall be made annually at October 31 of each year.

1. The principal amount evidenced hereby will be repaid in full on November 1, 2021. All accrued and unpaid interest hereunder as of November 1, 2021, shall be payable on such date.

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

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

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

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

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

(e) Any other event shall have occurred which would have a material adverse effect on Borrower or its assets or financial condition in Lender's reasonable judgment and such event continues to exist for at least thirty (30) days after Lender has given Borrower a written notice thereof.

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

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

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

[*Signature page follows*]

IN WITNESS WHEREOF, Borrower has caused this Note to be executed as of the date first above written.

PASSUR Aerospace, Inc.

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

January 27, 2020

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

January 27, 2020

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 January 27, 2021.

Liquidity

I commit that if the Company at any time is unable to meet its obligations through January 27, 2021, 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 January 27, 2021. 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 January 27, 2021.

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

Consent of Independent Registered Public Accounting Firm

The Board of Directors
PASSUR Aerospace, Inc. and Subsidiary

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-217672, 333-208590, 333-172472 and 333-161791, 333-156657) of PASSUR Aerospace, Inc. and Subsidiary of our report dated January 27, 2020, relating to the consolidated financial statements which appears in this Form 10-K.

/s/ BDO USA, LLP
Melville, New York
January 27, 2020

Exhibit 31.1

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

I, James T. Barry, certify that:

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

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

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

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

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

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

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

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

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

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

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

Date: January 27, 2020

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

Exhibit 31.2

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

I, Louis J. Petrucelly, certify that:

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

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

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

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

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

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

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

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

Date: January 27, 2020

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 Annual Report of PASSUR Aerospace, Inc. (the “Company”) on Form 10-K for the fiscal year ended October 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James T. Barry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

By: /s/James T. Barry
James T. Barry
Chief Executive Officer
January 27, 2020

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 Annual Report of PASSUR Aerospace, Inc. (the “Company”) on Form 10-K for the fiscal year ended October 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Louis J. Petrucelly, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

By: /s/ Louis J. Petrucelly
Louis J. Petrucelly
Chief Financial Officer
January 27, 2020