

PARK CITY GROUP INC
Form 10-Q
November 13, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013.

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

For the transition period from to .

Commission File Number 000-03718

PARK CITY GROUP, INC.
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or
organization)

37-1454128
(IRS Employer Identification No.)

299 South Main Street, Suite 2370
Salt Lake City, UT 84111
(Address of principal executive
offices)

(435) 645-2000
(Registrant's telephone number)

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 and 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 No

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

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

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company” in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

Indicate by checkmark if whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$0.01 par value: 16,700,376 shares as of November 12, 2013.

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| Exhibit 32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | |
| <u>Signatures</u> | |

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PARK CITY GROUP, INC.

Consolidated Condensed Balance Sheets

| | September 30, 2013 (unaudited) | June 30, 2013 |
|---|--------------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 4,297,269 | \$ 3,616,585 |
| Receivables, net of allowance of \$190,000 and \$190,000 at September 30, 2013 and June 30, 2013, respectively | 2,380,484 | 2,383,366 |
| Prepaid expenses and other current assets | 313,160 | 403,909 |
| Total current assets | 6,990,913 | 6,403,860 |
| Property and equipment, net | 646,589 | 671,959 |
| Other assets: | | |
| Deposits and other assets | 14,866 | 14,866 |
| Note receivable | 1,655,807 | 1,622,863 |
| Customer relationships | 2,234,756 | 2,340,335 |
| Goodwill | 4,805,933 | 4,805,933 |
| Capitalized software costs, net | 36,541 | 73,082 |
| Total other assets | 8,747,903 | 8,857,079 |
| Total assets | \$ 16,385,405 | \$ 15,932,898 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 459,884 | \$ 653,655 |
| Accrued liabilities | 1,584,021 | 1,096,982 |
| Deferred revenue | 1,310,689 | 1,777,326 |
| Lines of credit | 1,200,000 | 1,200,000 |
| Notes payable | 415,943 | 551,421 |
| Total current liabilities | 4,970,537 | 5,279,384 |
| Long-term liabilities: | | |
| Notes payable, less current portion | 220,442 | 310,642 |
| Other long-term liabilities | 100,790 | 101,500 |
| Total liabilities | 5,291,769 | 5,691,526 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Series B Convertible Preferred Stock, \$0.01 par value, 30,000,000 shares authorized; 411,927 shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively | 4,119 | 4,119 |

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| | | |
|---|---------------|---------------|
| Common Stock, \$0.01 par value, 50,000,000 shares authorized; 16,558,680 and 16,128,530 shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively | 165,587 | 161,285 |
| Additional paid-in capital | 45,364,786 | 43,314,986 |
| Accumulated deficit | (34,440,856) | (33,239,018) |
| Total stockholders' equity | 11,093,636 | 10,241,372 |
| Total liabilities and stockholders' equity | \$ 16,385,405 | \$ 15,932,898 |

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.

Consolidated Condensed Statements of Operations (unaudited)

| | Three Months Ended September 30, | |
|--|-------------------------------------|--------------|
| | 2013 | 2012 |
| Revenues: | | |
| Subscription | \$ 2,134,656 | \$ 1,954,595 |
| Other Revenue | 641,280 | 758,232 |
| Total revenues | 2,775,936 | 2,712,827 |
| Operating expenses: | | |
| Cost of services and product support | 1,209,103 | 1,080,484 |
| Sales and marketing | 1,239,643 | 580,356 |
| General and administrative | 1,148,473 | 574,094 |
| Depreciation and amortization | 227,575 | 230,068 |
| Total operating expenses | 3,824,794 | 2,465,002 |
| (Loss) income from operations | (1,048,858) | 247,825 |
| Other expense: | | |
| Interest income (expense) | 1,493 | (43,433) |
| (Loss) income before income taxes | (1,047,365) | 204,392 |
| (Provision) benefit for income taxes: | - | - |
| Net (loss) income | (1,047,365) | 204,392 |
| Dividends on preferred stock | (154,473) | (209,980) |
| Net (loss) applicable to common shareholders | \$ (1,201,838) | \$ (5,588) |
| Weighted average shares, basic and diluted | 16,364,000 | 12,215,000 |
| Basic and diluted loss per share | \$ (0.07) | \$ (0.00) |

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.

Consolidated Condensed Statements of Cash Flows (Unaudited)

For the Three Months Ended September 30,

| | 2013 | 2012 |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Net (loss) income | \$ (1,047,365) | \$ 204,392 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 227,575 | 230,068 |
| Stock issued for charitable contribution | 96,900 | - |
| Stock compensation expense | 375,515 | 199,029 |
| (Increase) decrease in: | | |
| Receivables | 2,882 | 21,602 |
| Prepays and other assets | 57,805 | (33,255) |
| (Decrease) increase in: | | |
| Accounts payable | (193,771) | (86,510) |
| Accrued liabilities | 352,126 | (184,655) |
| Deferred revenue | (466,637) | (161,595) |
| Net cash (used in) provided by operating activities | (594,970) | 189,076 |
| Cash Flows From Investing Activities: | | |
| Cash from sales of property and equipment | 6,505 | - |
| Purchase of property and equipment | (66,590) | (48,826) |
| Net cash used in investing activities | (60,085) | (48,826) |
| Cash Flows From Financing Activities: | | |
| Proceeds from issuance of stock | 1,493,818 | - |
| Proceeds from exercise of options and warrants | 129,043 | - |
| Proceeds from employee stock plans | 62,134 | 81,469 |
| Proceeds from issuance of note payable | - | 95,548 |
| Dividends paid | (123,578) | (123,578) |
| Payments on notes payable | (225,678) | (211,478) |
| Net cash provided by (used in) financing activities | 1,335,739 | (158,039) |
| Net increase (decrease) in cash | 680,684 | (17,789) |
| Cash at beginning of period | 3,616,585 | 1,106,176 |
| Cash at end of period | \$ 4,297,269 | \$ 1,088,387 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for income taxes | \$ 6,500 | \$ - |
| Cash paid for interest | \$ 31,793 | \$ 43,873 |

Supplemental Disclosure of Non-Cash Investing and Financing
Activities:

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| | | |
|---|------------|------------|
| Common stock to pay accrued liabilities | \$ 257,209 | \$ 208,954 |
| Dividends accrued on preferred stock | \$ 154,473 | \$ 209,980 |
| Dividends paid with preferred stock | \$ - | \$ 85,050 |

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. DESCRIPTION OF BUSINESS AND MERGER OF PRESCIENT APPLIED INTELLIGENCE, INC.

Summary of Business

Park City Group, Inc. (the “Company”) is incorporated in the state of Nevada. The Company’s 98.76% and 100% owned subsidiaries, Park City Group, Inc. and Prescient Applied Intelligence, Inc. (“Prescient”), respectively, are incorporated in the state of Delaware. All intercompany transactions and balances have been eliminated in consolidation.

The Company designs, develops, markets and supports proprietary software products. These products are designed for businesses having multiple locations to assist in the management of business operations on a daily basis and communicate results of operations in a timely manner. In addition, the Company has built a consulting practice for business improvement that centers on the Company’s proprietary software products. The principal markets for the Company’s products are multi-store retail and convenience store chains, branded food manufacturers, suppliers and distributors, and manufacturing companies, which have operations in North America, Europe, Asia and the Pacific Rim.

Recent Developments

Initiation of Test Programs

During the three months ended September 30, 2013, the Company initiated test programs to provide services to two large national retailers with upwards of 12,000 stores combined nationwide. While no assurances can be given, the Company expects the subscription revenue potential generated from these relationships to be significantly larger than any of the Company’s existing client hubs within the grocery industry.

Director Investment

In March 2013, the Company sold an aggregate total of 470,281 shares of its common stock to the directors of the Company for \$3.60 per share, and five year warrants to purchase an aggregate total of 155,190 shares of common stock for \$3.60 per share in a series of above-market private transactions (the “Director Investment”).

On August 28, 2013, the Company sold an additional 232,558 shares of common stock, and five year warrants to purchase 76,744 shares of common stock, to two of the Company’s directors at above-market prices on substantially the same terms as the Director Investment.

ResposiTrak Agreement

Effective June 30, 2013, the Company, ResposiTrak, Inc. (“ResposiTrak”), and Levitt Partners, LLC (“Levitt”) entered into an Omnibus Subscription, Management and Option Agreement (the “Omnibus Agreement”), which agreement amends and restates the Subscription Agreement and Management and Operating Agreement, each dated April 1, 2012 (together, the “Original Agreements”). Under the terms of the Omnibus Agreement, the Company agreed to continue providing certain management and business services to ResposiTrak, including powering ResposiTrak’s subscription-based analytical service of food and drug supply chains with the Company’s technologies for a three year term. In addition to certain subscription and management fees, the Company also has a nine-year option to purchase

approximately 75% of the ReposiTrak's issued and outstanding securities, on a fully diluted basis, for prices ranging from \$0.15 - \$1.17 per share. As a result of the Omnibus Agreement, the Original Agreements terminated.

Listing of Common Stock on the NASDAQ Capital Market

On October 15, 2013, the Company notified the NYSE MKT LLC (the "NYSE MKT") of the Company's intent to withdraw the listing and registration of its common stock from the NYSE MKT, and transfer the listing of its common stock to the NASDAQ Capital Market. The Company's common stock ceased trading on the NYSE MKT at the close of business on October 25, 2013, and began trading on the NASDAQ Capital Market on October 28, 2013 under the stock symbol "PCYG".

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NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of the Company have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") on a basis consistent with the Company's audited annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial information set forth therein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the following disclosures, when read in conjunction with the audited annual financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K, are adequate to make the information presented not misleading. Operating results for the three months ended September 30, 2013 are not necessarily indicative of the operating results that may be expected for the fiscal year ending June 30, 2014.

Recent Accounting Pronouncements

In January 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The main purpose of this Update is to clarify that the disclosures regarding offsetting assets and liabilities per ASU 2011-11 apply to derivatives including embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and lending transactions that are offset or subject to a master netting agreement. Other types of transactions are not impacted. This Update is effective for fiscal years beginning on or after January 1, 2013 and for all interim periods within that fiscal year. The Company doesn't expect this Update to impact the Company's financials since it does not have instruments noted in the Update that are offset.

In July 2012, the FASB issued ASU 2012-02, Intangibles—Goodwill and Other (Topic 350)—Testing Indefinite-Lived Intangible Assets for Impairment, to allow entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU 2012-02 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed quantitative impairment test by comparing the fair value of the indefinite-lived intangible asset with its carrying value. Otherwise, the quantitative impairment test is not required. The Company plans to adopt ASU 2012-02 for fiscal 2014 and does not believe that the adoption will have a material effect on the consolidated financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that materially affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results it reports in its financial statements. The SEC has defined the most critical accounting policies as those that are most important to the portrayal of the Company's financial condition and results, and require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company's most critical accounting policies include: income taxes, goodwill and other long-lived asset valuations, revenue recognition, stock-based compensation, and capitalization of software development costs.

Net Income and Income Per Common Share

Basic net income or loss per common share ("Basic EPS") excludes dilution and is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income or loss per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue shares of common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income (loss) per common share.

For the three months ended September 30, 2013 and 2012 options and warrants to purchase 465,196 and 62,300 shares of common stock, respectively, were not included in the computation of diluted EPS due to the anti-dilutive effect. For the three months ended September 30, 2013, 1,029,818 shares of common stock issuable upon conversion of the Company's Series B Convertible Preferred Stock ("Series B Preferred") were not included in the diluted EPS calculation as the effect would have been anti-dilutive, as compared to the 3,315,091 shares of common stock issuable upon conversion of the Company's Series A Convertible Preferred Stock ("Series A Preferred") and Series B Preferred for the three months ended September 30, 2012. The Company completed a redemption of all outstanding shares of Series A Preferred on April 15, 2013, after which there were no shares of Series A Preferred outstanding.

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Certain prior-year amounts have been reclassified to conform with the current year's presentation.

NOTE 3. LIQUIDITY AND MANAGEMENT'S PLAN

Historically, the Company has financed its operations through operating revenues, loans from directors, officers and stockholders, loans from the Chief Executive Officer and majority shareholder, and private placements of equity securities.

At September 30, 2013, the Company had positive working capital of \$2,020,376 when compared with positive working capital of \$1,124,476 at June 30, 2013. This \$895,900 increase in working capital is principally due to the additional Director Investment in August 2013, reductions in accounts payable, deferred revenue, and current notes payable. These were partially offset by an increase in accrued liabilities. While no assurances can be given, management currently believes that the Company will continue to increase its working capital position, and thereby reduce its indebtedness in subsequent periods utilizing existing cash resources and projected cash flow from operations. In addition, management may also refinance or restructure certain of the Company's indebtedness to extend the maturities of such indebtedness to address its short-term and long-term working capital requirements. Management believes that these initiatives will enable us to address our debt service requirements during the next twelve months, as well as fund our currently anticipated operations and capital spending requirements. The financial statements do not reflect any adjustments should cash flow from operations be insufficient to meet our spending and debt service requirements, and we are otherwise unable to refinance or restructure our indebtedness.

On September 4, 2012, the Company announced that its Board of Directors had approved a share repurchase program (the "Repurchase Program") of up to \$2.0 million of the Company's common stock over the next two years, or such other date, which ever is earlier, when the Repurchase Program is revoked or varied by the Board of Directors. The Repurchase Program does not obligate the Company to acquire any particular number of shares of common stock. The Repurchase Program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice.

NOTE 4. STOCK-BASED COMPENSATION

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. The Company records compensation expense on a straight-line basis. The fair value of options granted are estimated at the date of grant using a Black-Scholes option pricing model with assumptions for the risk-free interest rate, expected life, volatility, dividend yield and forfeiture rate.

NOTE 5. OUTSTANDING STOCK OPTIONS

The following tables summarize information about warrants outstanding and exercisable at September 30, 2013:

| Range of exercise prices | Warrants Outstanding at September 30, 2013 | | | Warrants Exercisable at September 30, 2013 | |
|--------------------------|--|---|---------------------------------|--|---------------------------------|
| | Number outstanding at September 30, 2013 | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable at September 30, 2013 | Weighted average exercise price |
| | | | | | |

| Warrants | | | | | | | |
|--------------|---------|------|----|------|---------|----|------|
| \$ 3.50-3.60 | 388,452 | 4.46 | \$ | 3.54 | 388,452 | \$ | 3.54 |
| \$ 6.45 | 76,744 | 4.91 | \$ | 6.45 | 76,744 | \$ | 6.45 |
| | 465,196 | 4.53 | \$ | 4.02 | 465,196 | \$ | 4.02 |

NOTE 6. RELATED PARTY TRANSACTIONS

None.

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NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and consist of the following as of:

| | September 30, 2013 (unaudited) | June 30, 2013 |
|--|--------------------------------------|------------------|
| Computer equipment | \$ 2,510,719 | \$ 2,444,129 |
| Furniture and fixtures | 260,574 | 321,281 |
| Leasehold improvements | 231,782 | 231,782 |
| | 3,003,075 | 2,997,192 |
| Less accumulated depreciation and amortization | (2,356,486) | (2,325,233) |
| | \$ 646,589 | \$ 671,959 |

NOTE 8. CAPITALIZED SOFTWARE COSTS

Capitalized software costs consist of the following as of:

| | September 30, 2013 (unaudited) | June 30, 2013 |
|-------------------------------|--------------------------------------|------------------|
| Capitalized software costs | \$ 2,443,128 | \$ 2,443,128 |
| Less accumulated amortization | (2,406,587) | (2,370,046) |
| | \$ 36,541 | \$ 73,082 |

NOTE 9. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of:

| | September 30, 2013 (unaudited) | June 30, 2013 |
|----------------------------------|--------------------------------------|------------------|
| Accrued stock-based compensation | \$ 651,506 | \$ 497,012 |
| Accrued compensation | 648,575 | 295,377 |
| Accrued dividends | 154,473 | 176,892 |
| Accrued other liabilities | 125,686 | 123,578 |
| Accrued interest | 3,781 | 4,123 |
| | \$ 1,584,021 | \$ 1,096,982 |

NOTE 9. PREFERRED DIVIDENDS

Holders of Series A Preferred are entitled to a 5.00% annual dividend payable quarterly in either cash or additional Series A Preferred at the option of the Company with fractional shares paid in cash. Holders of Series B Preferred are entitled to a 15.00% annual dividend payable quarterly in cash.

On March 15, 2013, the Company called for the redemption of 686,210 issued and outstanding shares of Series A Preferred. The Company completed the Series A Preferred Redemption on April 15, 2013. On that date, of the 686,210 shares of Series A Preferred issued and outstanding, 2,172 shares were redeemed for \$10.00 per share, or an aggregate total of \$21,720, and the remaining 684,038 shares were converted into 3.33 shares of common stock for

each share of Series A Preferred redeemed, or an aggregate total of 2,280,149 shares of the Company's common stock.

NOTE 10. INCOME TAXES

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2009.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's Annual Report on Form 10-K for the year ended June 30, 2013 is incorporated herein by reference.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements." Actual results could differ materially from those projected in the forward looking statements as a result of a number of risks and uncertainties, including those risks factors contained in our June 30, 2012 Annual Report on Form 10-K, incorporated herein by reference. Statements made herein are as of the date of the filing of this Form 10-Q with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

Overview

Park City Group, Inc. (the "Company") is a Software-as-a-Service ("SaaS") provider that brings unique visibility to the consumer goods supply chain, delivering actionable information that ensures product is on the shelf when the consumer expects it. Our service increases our customers' sales and profitability while enabling lower inventory levels for both retailers and their suppliers.

Our services are delivered principally through proprietary software products designed, developed, marketed and supported by the Company. These products are designed to facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving back to suppliers and eventually raw material providers. In addition, the Company has built a consulting practice for business process improvement that centers around the Company's proprietary software products and through establishment of a neutral and "trusted" third party relationship between retailers and suppliers. The principal markets for the Company's products are multi-store retail and convenience store chains, branded food manufacturers, suppliers and distributors and manufacturing companies.

Historically, the Company offered applications and related maintenance contracts to new customers for a one-time, non-recurring up front license fee. Although not completely abandoning the license fee and maintenance model, since the acquisition of Prescient Applied Intelligence, Inc. ("Prescient") in January 2009, the Company has focused its strategic initiatives and resources to marketing and selling prospective customers a subscription for its product offerings. In support of this strategic shift toward a subscription-based model, the Company has scaled its contracting process, streamlined its customer on-boarding and implemented a financial package that integrates multiple systems in an automated fashion. As a result, subscription based revenue has grown from \$203,000 for the 2008 fiscal year to \$8 million in the year ended June 30, 2013. During that same period our revenue has transitioned from 6% subscription revenue and 94% license and other revenue basis to 71% subscription revenue and 29% license and other revenue basis.

The Company is incorporated in the state of Nevada. The Company's 98.76% and 100% owned subsidiaries, Park City Group, Inc. and Prescient, respectively, are incorporated in the state of Delaware. All intercompany transactions and balances have been eliminated in consolidation.

The principal executive offices of the Company are located at 299 South Main Street, Suite 2370, Salt Lake City, Utah 84111. The telephone number is (435) 645-2000. The website address is <http://www.parkcitygroup.com>.

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Recent Developments

Initiation of Test Programs

During the three months ended September 30, 2013, the Company initiated test programs to provide services to two large national retailers with upwards of 12,000 stores combined nationwide. The Company expects the subscription revenue potential generated from these relationships to be significantly larger than any of the Company's existing client hubs within the grocery industry.

Director Investment

In March 2013, the Company sold an aggregate total of 470,281 shares of its common stock to the directors of the Company for \$3.60 per share, and five year warrants to purchase an aggregate total of 155,190 shares of common stock for \$3.60 per share in a series of above-market private transactions (the "Director Investment").

On August 28, 2013, the Company sold an additional 232,558 shares of common stock, and five year warrants to purchase 76,744 shares of common stock, to two of the Company's directors at above-market prices on substantially the same terms as the Director Investment.

ResposiTrak Agreement

Effective June 30, 2013, the Company, ReposiTrak, Inc. ("ReposiTrak"), and Levitt Partners, LLC ("Levitt") entered into an Omnibus Subscription, Management and Option Agreement (the "Omnibus Agreement"), which agreement amends and restates the Subscription Agreement and Management and Operating Agreement, each dated April 1, 2012 (together, the "Original Agreements"). Under the terms of the Omnibus Agreement, the Company agreed to continue providing certain management and business services to ReposiTrak, including powering ReposiTrak's subscription-based analytical service of food and drug supply chains with the Company's technologies for a three year term. In addition to certain subscription and management fees, the Company also has a nine-year option to purchase approximately 75% of the ReposiTrak's issued and outstanding securities, on a fully diluted basis, for prices ranging from \$0.15 - \$1.17 per share. As a result of the Omnibus Agreement, the Original Agreements terminated.

Listing of Common Stock on the NASDAQ Capital Market

On October 15, 2013, the Company notified the NYSE MKT LLC (the "NYSE MKT") of the Company's intent to withdraw the listing and registration of its common stock from the NYSE MKT, and transfer the listing of its common stock to the NASDAQ Capital Market. The Company's common stock ceased trading on the NYSE MKT at the close of business on October 25, 2013, and began trading on the NASDAQ Capital Market on October 28, 2013 under the stock symbol "PCYG".

Results of Operations

Comparison of the Three Months Ended September 30, 2013 to the Three Months Ended September 30, 2012.

Revenue

| | Fiscal Quarter Ended | | Variance | |
|---------------|----------------------|--------------|------------|---------|
| | September 30, | | Dollars | Percent |
| | 2013 | 2012 | | |
| Subscription | \$ 2,134,656 | \$ 1,954,595 | \$ 180,061 | 9% |
| Other revenue | 641,280 | 758,232 | (116,952) | -15% |

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| | | | | |
|---------------|--------------|--------------|-----------|----|
| Total revenue | \$ 2,775,936 | \$ 2,712,827 | \$ 63,109 | 2% |
|---------------|--------------|--------------|-----------|----|

Total revenue was \$2,775,936 and \$2,712,827 for the three months ended September 30, 2013 and 2012, respectively, a 2% increase. This \$63,109 increase in total revenue was principally due to an increase of \$180,061 in subscription revenue, offset by a decrease of \$116,952 in other revenue, as more particularly described below.

Management believes that the Company's strategy of pursuing contracts with suppliers ("spokes") to connect to retail customers ("hubs") that have been added in the most recently completed fiscal year, including the service agreement with CVS Pharmacy, Inc., announced in July 2012, will continue to result in increased revenue during the fiscal year ending June 30, 2013, and in subsequent periods. In addition, management believes that revenue in subsequent periods will increase as a result of the receipt of subscription payments from ResposiTrak resulting from the license of the Company's technology necessary to power ResposiTrak. ResposiTrak enables grocery, supermarkets, packaged goods manufacturers, food processing facilities, drug stores and drug manufacturers, as well as logistics partners, to track and trace products and components to products throughout the food, drug and dietary supplement supply chains.

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Subscription Revenue

Subscription revenue was \$2,134,656 and \$1,954,595 for the three months ended September 30, 2013 and 2012, respectively, a 9% increase in the three months ended September 30, 2013 when compared with the three months ended September 30, 2012. The net increase of \$180,061 is principally due to (i) the growth of existing retailer and supplier subscriptions of \$236,000 and (ii) the addition of new customers contributing \$62,000. The increase in subscription revenue was partially offset by a decrease of approximately \$118,000 resulting from the non-renewal of existing clients. While no assurances can be given, the Company anticipates that revenue from subscription-based services will continue to increase on a year-over-year basis.

The Company continues to focus its strategic initiatives on increasing the number of retailers, suppliers and manufacturers that use its software on a subscription basis. However, while management believes that marketing its suite of software solutions as a renewable and recurring subscription is an effective strategy, it cannot be assured that subscribers will renew the service at the same level in future years, propagate services to new categories or recognize the need for expanding the service offering of the Company's suite of actionable products and services.

Other Revenue

Other revenue was \$641,280 and \$758,232 for the three months ended September 30, 2013 and 2012, respectively, a decrease of 15% in the three months ended September 30, 2013 compared with the three months ended September 30, 2012. The net decrease of \$116,952 is principally due to (i) net decrease in maintenance revenue of \$88,000; (ii) a decrease in license sales to our legacy customer base; and (iii) a decrease in the professional services.

While these other sources of revenue will continue in future periods, management's focus on recurring subscription-based revenue will cause license, maintenance, and consulting services to fluctuate and be difficult to predict.

Cost of Services and Product Support

| | Fiscal Quarter Ended | | Variance | |
|--------------------------------------|----------------------|--------------|------------|---------|
| | September 30, | | Dollars | Percent |
| | 2013 | 2012 | | |
| Cost of services and product support | \$ 1,209,103 | \$ 1,080,484 | \$ 128,619 | 12% |
| Percent of total revenue | 44% | 40% | | |

Cost of services and product support was \$1,209,103 and \$1,080,484 for the three months ended September 30, 2013 and 2012, respectively, a 12% increase in the three months ended September 30, 2013 compared with the three months ended September 30, 2012. This increase of \$128,619 for the quarter ended September 30, 2013 when compared with the same period ended September 30, 2012 is principally due to (i) a \$72,000 increase in employee related expenses; (ii) a \$38,000 increase in other product support costs; and (iii) an \$18,000 increase in travel related expenses.

Sales and Marketing Expense

| | Fiscal Quarter Ended | | Variance | |
|--------------------------|----------------------|------------|------------|---------|
| | September 30, | | Dollars | Percent |
| | 2013 | 2012 | | |
| Sales and marketing | \$ 1,239,643 | \$ 580,356 | \$ 659,287 | 114% |
| Percent of total revenue | 45% | 21% | | |

Sales and marketing expense was \$1,239,643 and \$580,356 for the three months ended September 30, 2013 and 2012, respectively, a 114% increase. This \$659,287 increase over the comparable quarter was primarily the result of (i) an increase in salary and sales consulting and related expenses of \$429,000; (ii) an increase of \$146,000 in marketing expenses for trade show, charitable contributions, and advertising; and (iii) an increase of \$85,000 in travel related expenses. Management expects sales and marketing expenses to remain at current levels to support anticipated growth in subscription revenue, among other factors.

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General and Administrative Expense

| | Fiscal Quarter Ended September 30, | | Variance | |
|----------------------------|---------------------------------------|------------|------------|---------|
| | 2013 | 2012 | Dollars | Percent |
| General and administrative | \$ 1,148,473 | \$ 574,094 | \$ 574,379 | 100% |
| Percent of total revenue | 41% | 21% | | |

General and administrative expense was \$1,148,473 and \$574,094 for the three months ended September 30, 2013 and 2012, respectively, a 100% increase in the three months ended September 30, 2013 compared with the three months ended September 30, 2012. This \$574,379 increase when comparing expenditures for the quarter ended September 30, 2013 with the same period ended September 30, 2012 is principally due to (i) an increase in stock compensation, bonus and salary expense of \$519,000; (ii) \$37,000 increase in estimated taxes; and (iii) \$31,000 in travel and other expenses. The increase of \$519,000 related to stock compensation, bonus and salary expense includes a one-time bonus payment of \$375,000 paid to the Company's Chief Executive Officer for performance during the year ended June 30, 2013. The increase in general and administrative expense during the quarter ended September 30, 2013 was partially offset by a decrease of \$12,000 in facility related costs.

Depreciation and Amortization Expense

| | Fiscal Quarter Ended September 30, | | Variance | |
|-------------------------------|---------------------------------------|------------|------------|---------|
| | 2013 | 2012 | Dollars | Percent |
| Depreciation and amortization | \$ 227,575 | \$ 230,068 | \$ (2,493) | -1% |
| Percent of total revenue | 8% | 9% | | |

Depreciation and amortization expense was \$227,575 and \$230,068 for the three months ended September 30, 2013 and 2012, respectively, a decrease of 1% in the three months ended September 30, 2013 compared with the three months ended September 30, 2012. Depreciation and amortization expenses have remained relatively flat with a decrease of \$2,493 for the quarter ended September 30, 2013 when compared to the quarter ended September 30, 2012.

Other Income and Expense

| | Fiscal Quarter Ended September 30, | | Variance | |
|---------------------------|---------------------------------------|-------------|-----------|---------|
| | 2013 | 2012 | Dollars | Percent |
| Interest income (expense) | \$ 1,493 | \$ (43,433) | \$ 44,926 | 103% |
| Percent of total revenue | -% | 2% | | |

Interest income (expense) was income of \$1,493 and expenses of \$43,433 for the three months ended September 30, 2013 and 2012, respectively, a change of 103% in the three months ended September 30, 2013 compared with the three months ended September 30, 2012. This change of \$44,926 for the quarter ended September 30, 2013 when compared to the quarter ended September 30, 2012 is due to interest income on notes receivable of \$32,944 and a decrease related to lower outstanding balances on notes payable.

Preferred Dividends

| | Fiscal Quarter Ended September 30, | | Variance | |
|--------------------------|---------------------------------------|------------|-------------|---------|
| | 2013 | 2012 | Dollars | Percent |
| Preferred dividends | \$ 154,473 | \$ 209,980 | \$ (55,507) | 26% |
| Percent of total revenue | 6% | 8% | | |

Dividends accrued on the Company's Series B Preferred was \$154,473 for the three months ended September 30, 2013, compared to dividends accrued on the Company's Series A Preferred and Series B Preferred of \$209,980 for the three months ended September 30, 2012.

On April 15, 2013, the Company called for the redemption of all 686,210 issued and outstanding shares of Series A Preferred. 2,172 shares were redeemed for \$10.00 per share, or an aggregate total of \$21,720, and the remaining 684,038 shares were converted into 3.33 shares of common stock for each share of Series A Preferred redeemed, or an aggregate total of 2,280,149 shares of the Company's common stock. Before the Series A Redemption in April 2013, holders of Series A Preferred were entitled to a 5.00% annual dividend payable quarterly in either cash or additional Series A Preferred at the option of the Company with fractional shares paid in cash. This dividend rate increased to 10.00% per annum as a result of the average closing price of the Company's common stock during the last thirty (30) trading days of the quarter ending December 31, 2012 being less than \$3.00 per share (a "Dividend Adjustment"). Holders of Series B Preferred are entitled to a 15.00% annual dividend payable quarterly in cash, which rate increased from 12% in the prior year under the terms of the certificate of designation of the Series B Preferred.

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Financial Position, Liquidity and Capital Resources

We believe our existing cash and short-term investments, together with funds generated from operations, are sufficient to fund operating and investment requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including our rate of revenue growth and expansion of our sales and marketing activities, the timing and extent of spending required for research and development efforts and the continuing market acceptance of our products.

| | As of September 30, | | Variance | |
|---------------------------|---------------------|--------------|--------------|---------|
| | 2013 | 2012 | Dollars | Percent |
| Cash and Cash Equivalents | \$ 4,297,269 | \$ 1,088,387 | \$ 3,208,882 | 295% |

We have historically funded our operations with cash from operations, equity financings and debt borrowings. Cash and cash equivalents was \$4,297,269 and \$1,088,387 at September 30, 2013 and 2012, respectively. This \$3,208,888 increase from September 30, 2013 to September 30, 2012 was principally the result of approximately \$4.34 million received from the Private Offering and Director Investment in March 2013, as well as an additional \$1.5 million raised in the second Director Investment consummated in August 2013. This cash was intended to finance the Series A Redemption; however, approximately 99% of the holders of shares of Series A Preferred elected to convert their shares of Series A Preferred into shares of common stock.

Net Cash Flows from Operating Activities

| | Three Months Ended | | Variance | |
|---|--------------------|--------------------|--------------|---------|
| | September 30, 2013 | September 30, 2012 | Dollars | Percent |
| Cash (used in) provided by operating activities | \$ (594,970) | \$ 189,076 | \$ (784,046) | 415% |

Net cash provided by operating activities is summarized as follows:

| | Three Months Ended | |
|---|--------------------|--------------------|
| | September 30, 2012 | September 30, 2012 |
| Net (loss) income | \$ (1,047,365) | \$ 204,392 |
| Noncash expense and income, net | 699,990 | 429,097 |
| Net changes in operating assets and liabilities | (247,595) | (444,413) |
| | \$ (594,970) | \$ 189,076 |

Noncash expense increased by \$270,893 in the three months ended September 30, 2013 compared to September 30, 2012. Noncash expense increased as a result of a \$177,000 increase in stock compensation expense and \$97,000 in stock issued as a charitable contribution.

Net Cash Flows from Investing Activities

| | Three Months Ended | | Variance | |
|-----------------------------------|--------------------|--------------------|-------------|---------|
| | September 30, 2013 | September 30, 2012 | Dollars | Percent |
| Cash used in investing activities | \$ (60,085) | \$ (48,826) | \$ (11,259) | 23% |

Net cash used in investing activities for the three months ended September 30, 2013 was \$60,085 compared to net cash used in investing activities of \$48,826 for the three months ended September, 2012. This \$11,259 increase in cash used in investing activities for the three months ended September 30, 2013 when compared to the same period in

2012 was the result of additional cash spent on property plant and equipment.

Net Cash Flows from Financing Activities

| | Three Months Ended | | Variance | |
|---|--------------------|--------------|--------------|---------|
| | September 30, | | Dollars | Percent |
| | 2013 | 2012 | | |
| Cash provided by (used in) financing activities | \$ 1,335,739 | \$ (158,039) | \$ 1,493,778 | 945% |

Net cash used in financing activities totaled \$1,335,739 for the three months ended September 30, 2013 as compared to cash flows used in financing activities of \$158,039 for the three months ended September 30, 2012. The change in net cash used in financing activities is primarily attributable to the Director Investment in August 2013 of \$1.5 million.

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Working Capital

At September 30, 2012, the Company had positive working capital of \$2,020,376 when compared with positive working capital of \$1,124,476 at June 30, 2013. This \$895,900 increase in working capital is principally due to (i) a \$681,000 increase in cash, (ii) a decrease in deferred revenue of \$467,000, accounts payable of \$194,000, and current notes payable of \$136,000. The were partially offset by decreases in prepaid expenses of \$91,000 and an increase in accrued liabilities of \$487,000. Management currently believes that the Company will continue to increase its working capital position, and thereby reduce its indebtedness in subsequent periods utilizing existing cash resources and projected cash flow from operations.

| | As of September 30, 2013 | As of June 30, 2013 | Variance | |
|----------------|--------------------------------|---------------------------|------------|---------|
| | | | Dollars | Percent |
| Current assets | \$ 6,990,913 | \$ 6,403,860 | \$ 587,053 | 9% |

Current assets as of September 30, 2013 totaled \$6,990,913, an increase of \$587,053 when compared to \$6,403,860 as of June 30, 2013. This 9% increase in current assets is due to an increase in cash partially offset by a decrease in prepaid expenses.

| | As of September 30, 2013 | As of June 30, 2013 | Variance | |
|---------------------|--------------------------------|---------------------------|--------------|---------|
| | | | Dollars | Percent |
| Current liabilities | \$ 4,970,537 | \$ 5,279,384 | \$ (308,847) | -6% |

Current liabilities totaled \$4,970,537 as of September 30, 2013 as compared to \$5,279,384 as of June 30, 2013. The \$308,847 comparative decrease in current liabilities is principally due to decreases in accounts payable, deferred revenue and current notes payable, partially offset by an increase in accrued liabilities.

While no assurances can be given, management currently intends to continue to reduce its indebtedness in subsequent periods utilizing existing cash resources and projected cash flow from operations. In addition, management may also continue to refinance or restructure certain of the Company's indebtedness to extend the maturities of such indebtedness to address its short-term and long-term working capital requirements. Management believes that these initiatives will enable us to address our debt service requirements during the next twelve months, as well as fund our currently anticipated operations and capital spending requirements.

Off-Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operation, liquidity or capital expenditures.

Recent Accounting Pronouncements

In January 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The main purpose of this Update is to clarify that the disclosures regarding offsetting assets and liabilities per ASU 2011-11 apply to derivatives including embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and lending transactions that are offset or subject to a master netting agreement. Other types of transactions are not impacted. This Update is effective for fiscal years beginning on or after January 1, 2013 and for all interim periods within that fiscal year. The Company doesn't expect this Update to impact the Company's financials since it does not have instruments noted in the Update that are

offset.

In July 2012, the FASB issued ASU 2012-02, Intangibles—Goodwill and Other (Topic 350)—Testing Indefinite-Lived Intangible Assets for Impairment, to allow entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU 2012-02 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed quantitative impairment test by comparing the fair value of the indefinite-lived intangible asset with its carrying value. Otherwise, the quantitative impairment test is not required. The Company plans to adopt ASU 2012-02 for fiscal 2014 and does not believe that the adoption will have a material effect on the consolidated financial statements.

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles.

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We commenced operations in the software development and professional services business during 1990. The preparation of our financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the 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. On an ongoing basis, management evaluates its estimates and assumptions. Management bases its estimates and judgments on historical experience of operations and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, will affect its more significant judgments and estimates used in the preparation of our consolidated financial statements.

Income Taxes

In determining the carrying value of the Company's net deferred income tax assets, the Company must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions, to realize the benefit of these assets. If these estimates and assumptions change in the future, the Company may record a reduction in the valuation allowance, resulting in an income tax benefit in the Company's statements of operations. Management evaluates whether or not to realize the deferred income tax assets and assesses the valuation allowance quarterly.

Revenue Recognition

We recognize revenue when all of the following conditions are satisfied: (i) there is persuasive evidence of an arrangement; (ii) the service has been provided to the customer; (iii) the collection of our fees is probable; and (iv) the amount of fees to be paid by the customer is fixed or determinable.

We recognize subscription and hosting revenues ratably over the length of the agreement beginning on the commencement dates of each agreement or when revenue recognition conditions are satisfied based on their relative fair values. For a fee, subscriptions provide the customer with access to the software and data over the Internet, or on demand, and provide technical support services, premium analytical services and software upgrades when and if available. Under subscriptions, customers do not have the right to take possession of the software and such arrangements are considered service contracts. Accordingly, we recognize professional services as incurred based on their relative fair values. In situations where we have contractually committed to an individual customer specific technology, we defer all of the revenue for that customer until the technology is delivered and accepted. Once delivery occurs, we then recognize the revenue ratably over the remaining contract term. When subscription service or hosting service is paid in advance, deferred revenue is recognized and revenue is recorded ratably over the term as services are consumed.

Set up fees paid by customers in connection with subscription services are deferred and recognized ratably over the life of the applicable agreement.

Hosting, premium support and maintenance service revenue is derived from services beyond the basic services provided in standard arrangements. We recognize hosting, premium service and maintenance revenue ratably over the contract terms beginning on the commencement dates of each contract or when revenue recognition conditions are satisfied. Instances where hosting, premium support or maintenance service is paid in advance, deferred revenue is recognized and revenue is recording ratably over the term as services are consumed.

Professional services revenue consists primarily of fees associated with application and data integration, data cleansing, business process re-engineering, change management, and education and training services. Fees charged for professional services are recognized when delivered. We believe the fees for professional services qualify for separate accounting because: a) the services have value to the customer on a stand-alone basis; b) objective and reliable evidence of fair value exists for these services; and c) performance of the services is considered probable and does not involve unique customer acceptance criteria.

We also sell software licenses. For software license sales, we recognize revenue when all of the following conditions are satisfied: (i) there is persuasive evidence of an arrangement, (ii) the service has been provided to the customer, (iii) the collection of our fees is probable and (iv) the amount of fees to be paid by the customer is fixed or determinable. Licenses generally include multiple elements that are delivered up front or over time. Vendor specific objective evidence of fair value of the hosting and support elements is based on the price charged at renewal when sold separately, and the license element is recognized into revenue upon delivery. The hosting and support elements are recognized ratably over the contractual term.

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Stock-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. The Company records compensation expense on a straight-line basis. The fair value of options granted are estimated at the date of grant using a Black-Scholes option pricing model with assumptions for the risk-free interest rate, expected life, volatility, dividend yield and forfeiture rate.

Capitalization of Software Development Costs

The Company accounts for research costs of computer software to be sold, leased or otherwise marketed as expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached shortly after a working prototype is complete and meets or exceeds design specifications including functions, features, and technical performance requirements. Costs incurred after technological feasibility is established have been and will continue to be capitalized until such time as when the product or enhancement is available for general release to customers.

Goodwill and Long-lived Assets

Goodwill is assigned to specific reporting units and is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. Management reviews the long-lived tangible and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The carrying value of a long-lived asset is considered impaired when the anticipated cumulative undiscounted cash flows of the related asset or group of assets is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset. Economic useful lives of long-lived assets are assessed and adjusted as circumstances dictate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business is currently conducted principally in the United States. As a result, our financial results are not affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets. We do not engage in hedging transactions to reduce our exposure to changes in currency exchange rates, although if the geographical scope of our business broadens, we may do so in the future.

Our exposure to risk for changes in interest rates relates primarily to our investments in short-term financial instruments. Investments in both fixed rate and floating rate interest earning instruments carry some interest rate risk. The fair value of fixed rate securities may fall due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Partly as a result of this, our future interest income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have fallen in estimated fair value due to changes in interest rates. However, as substantially all of our cash consist of bank deposits and short-term money market instruments, we do not expect any material change with respect to our net income as a result of an interest rate change.

Our exposure to interest rate changes related to borrowing has been limited by the use of fixed rate borrowings on the majority of our outstanding debt, and we believe the effect, if any, or reasonably possible near-term changes in interest rates on our financial position, results of operations and cash flows should not be material. At September 30, 2013, the debt portfolio was composed of approximately 35% variable-rate debt and 65% fixed-rate debt.

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| | September 30, 2013 (unaudited) | Percent of Total Debt |
|--------------------|--------------------------------------|--------------------------|
| Fixed rate debt | \$ 636,385 | 35% |
| Variable rate debt | 1,200,000 | 65% |
| Total debt | \$ 1,836,385 | 100% |

The table that follows presents fair values of principal amounts and weighted average interest rates for our investment portfolio as of September 30, 2013:

| Cash and Cash Equivalents: | Aggregate Fair Value | Weighted Average Interest Rate |
|----------------------------|-------------------------|-----------------------------------|
| Cash | \$ 4,297,269 | N/A |

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ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of September 30, 2013. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports submitted under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal controls over financial reporting.

The Company's Chief Executive Officer and Chief Financial Officer have determined that there have been no changes, in the Company's internal control over financial reporting during the period covered by this report identified in connection with the evaluation described in the above paragraph that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time involved in various legal proceedings incidental to the conduct of our business. We do not have any ongoing legal proceedings at this time.

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors previously disclosed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema

101.CAL*XBRL Taxonomy Extension Calculation Linkbase

101.DEF* XBRL Taxonomy Extension Definition Linkbase

101.LAB*XBRL Taxonomy Extension Label Linkbase

101.PRE* XBRL Taxonomy Extension Presentation Linkbase

*Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 13, 2013

PARK CITY GROUP, INC.

By: /s/ Randall K. Fields
Randall K. Fields
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)

Date: November 13, 2013

By /s/ Edward L. Clissold
Edward L. Clissold
Chief Financial Officer
(Principal Financial Officer & Principal
Accounting Officer)