

# PARK CITY GROUP INC

## FORM 10-K (Annual Report)

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

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

For the fiscal year ended June 30, 2014

or

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

**001-34941**

(Commission file number)

**PARK CITY GROUP, INC.**

(Exact name of registrant as specified in its charter)

Nevada

\_\_\_\_\_  
State or other jurisdiction of incorporation

37-1454128

\_\_\_\_\_  
(IRS Employer Identification No.)

299 South Main Street, Suite 2370

Salt Lake City, Utah 84111

\_\_\_\_\_  
(Address of principal executive offices)

(435) 645-2000

\_\_\_\_\_  
(Registrant's telephone number, including area code)

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

\_\_\_\_\_  
Title of each Class

Common Stock, \$0.01 Par Value

\_\_\_\_\_  
Name of each exchange on which registered

NASDAQ Capital Market

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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  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 (§ 229.405 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the issuer as of December 31, 2013, which is the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$106,100,000 (at a closing price of \$10.16 per share).

As of September 11, 2014, 17,106,645 shares of the Company’s \$0.01 par value common stock were outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Items 10, 11, 12, 13 and 14 of Part III incorporate by reference information from the registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission on or before 120 days after the end of the registrant’s 2014 fiscal year, or October 28, 2014, in connection with the solicitation of proxies for the registrant’s 2014 annual meeting of stockholders.

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ON FORM 10-K  
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## FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K 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 the risk factors set forth below and elsewhere in this Report. See “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Statements made herein are as of the date of the filing of this Form 10-K 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.*

### PART I

#### ITEM I. BUSINESS

##### 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 approximately \$9.4 million in the year ended June 30, 2014. During that same period our revenue has transitioned from 6% subscription revenue and 94% license and other revenue basis to 79% subscription revenue and 21% license and other revenue.

The Company is incorporated in the state of Nevada. The Company has two subsidiaries, PC Group, Inc. (formerly, Park City Group, Inc.), a Utah corporation (98.76% owned), and Park City Group, Inc. (formerly, Prescient Applied Intelligence, Inc.), a Delaware corporation (100% owned). All intercompany transactions and balances have been eliminated in consolidation.

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

## Recent Developments

### *ResposiTrak Agreement*

Effective June 30, 2013, the Company, ReposiTrak, Inc. (“*ReposiTrak*”), and Leavitt Partners, LLC (“*Leavitt*”) entered into an Omnibus Subscription, Management and Option Agreement (the “*Omnibus Agreement*”), wherein 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. During the year ended June 30, 2014, the Company received \$2,330,700 in subscription and management fees pursuant to the Omnibus Agreement.

### *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”.

## Company History

The Company’s technology has its genesis in the operations of Mrs. Fields Cookies co-founded by Randall K. Fields, the Company’s Chief Executive Officer. The Company began operations utilizing patented computer software and profit optimization consulting services to help its retail clients reduce their inventory and labor cost - the two largest controllable expenses in the retail industry. Because the product concepts originated in the environment of actual multi-unit retail chain ownership, the products are strongly oriented to an operation’s bottom line results.

The Company was incorporated in the State of Delaware on December 8, 1964 as Infotec, Inc. From June 20, 1999 to approximately June 12, 2001, it was known as Amerinet Group.com, Inc. In 2001, the name was changed from Amerinet Group.com to Fields Technologies, Inc. On June 13, 2001, the Company entered into a “Reorganization Agreement” with Randall K. Fields and Riverview Financial Corporation whereby it acquired substantially all of the outstanding stock of Park City Group, Inc., a Delaware corporation, which became a 98.67% owned subsidiary. Operations are conducted through this subsidiary, which was incorporated in the State of Delaware in May 1990.

On July 25, 2002, Fields Technologies, Inc. changed its name from Fields Technologies, Inc. to Park City Group, Inc. through a merger with Park City Group, Inc., a Nevada corporation, which was organized for that purpose and was also the surviving entity in the merger. As a result, both the parent-holding company (Nevada) and its operating subsidiary (Delaware) were named Park City Group, Inc. In February 2014, Park City Group, Inc. (Delaware) was domesticated in Utah and changed its name to PC Group, Inc. Park City Group, Inc. (Nevada) has no business operations separate from the operations conducted through its subsidiaries, including Prescient Applied Intelligence, Inc., a Delaware corporation (“*Prescient*”).

On January 13, 2009, the Company acquired 100% of Prescient, a leading provider of on-demand solutions for the retail marketplace, including both retailers and suppliers. Its solutions capture information at the point of sale, provide greater visibility into real-time demand and turn data into actionable information across the entire supply chain. In February 2014, Prescient changed its name to Park City Group, Inc. The Company’s condensed consolidated financial statements contain the results of operations of Park City Group, Inc. (Delaware).

## **Software-as-a-Service Delivery Model**

Historically, the Company offered applications and related maintenance contracts to new customers for a one-time, non-recurring up front license fee and provided an option for annually renewing their maintenance agreements. As a result of the Prescient merger and Prescient's reliance on subscription based revenue, and the Company began shifting away from offering its solutions for a one-time licensing fee and now principally offers prospective customers monthly subscription based licensing of its products. Although not completely abandoning the license fee and maintenance model, 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.

Our on-demand, software-as-a-service delivery model enables our proprietary software solutions to be implemented, accessed and used by our customers remotely. Our solutions are hosted and maintained by us, thus significantly reducing costs by eliminating for our customers the time, risk and headcount associated with installing and maintaining applications within their own information technology infrastructures. As a result, we believe our solutions require significantly less capital to build and require less initial investment in third-party software, hardware and implementation services, and have lower ongoing support costs versus traditional enterprise software. The software-as-a-service (" *SaaS* ") model also allows for advanced information technology infrastructure management, security, disaster recovery and other best practices. Since we manage updates and upgrades to our solution on behalf of our customers, we are able to implement improvements to our solutions in a more rapid and uniform way, enabling us to take advantage of operational efficiencies.

## **Target Industries Overview**

The Company develops and offers its software to supermarkets, convenience stores and other retailers. As a result of the acquisition of Prescient, we have expanded our offerings to include supply chain solutions focused on large manufacturers, distributors and suppliers in the consumer products industry. The Company also provides professional consulting services targeting implementation, assessments, profit optimization and support functions for its application and related products.

### ***Supermarkets***

The supermarket industry is under increased competitive pressure from mass market retailers such as Wal-Mart, Costco, Target, and other channels, including extreme value (dollar stores), limited assortment (ALDI/Save-a-lot), and convenience (Sheetz, 7/11) stores. One of the strategies traditional supermarkets are implementing is to improve the demographic "mix" of products to match the unique needs of those consumers who shop at individual stores. Mix is most difficult to manage for those products that are delivered by Direct Store Delivery (" *DSD* ") suppliers such as carbonated beverages, bread, dairy, greeting cards, magazines and salty snacks. The Company's software provides newfound visibility to the retailer as to specific item deliveries and in-stock status with item and category productivity. In addition, supermarkets are growing sales and consumer loyalty by developing and distributing their own brand or private label for all key categories within their stores. This proliferation of new items is creating a new set of challenges for both retailers and suppliers as they battle to find space to accommodate the new private label items at the expense of the incumbent or national brand supplier. The Company's software and consulting services provide visibility tools to facilitate the decision making process by providing a shared and trusted view to information that helps the parties optimize item selection and shelf presence. Furthermore, supermarkets are under pressure to increase the quantity and quality of their perishable offerings. Perishable departments, such as bakery, meat and seafood, dairy, and deli historically are loosely managed, but now are a focus for profitability improvement. The Company's software and consulting services and change management resources are designed to address this specific business problem, increasing the profitability of perishable products at the department and store level.

### *Convenience Stores*

For convenience stores, recent trends of contracting gasoline sales margins and declining tobacco sales further increases the need for improved cost controls, focus on product mix and better decision support. To intensify the focus on these issues, other industry segments such as value retailers and grocery stores are cutting into the convenience store stronghold by offering gasoline, a product that once was almost solely offered by convenience store retailers. In response to declining gasoline sales and profits, the convenience store industry is pushing into fresh food as an avenue of increasing sales and profitability. Only the most progressive convenience store operations have automated systems to help store managers, leaving the majority of the operators without any technology to ease their administrative and operational burdens.

### *Suppliers*

As stated above, supermarkets and convenience stores are increasingly focused on product and margin mix, improving sales through reduced out of stocks and increasing collaboration with their suppliers. Suppliers are increasingly pressured by retailers to provide consumer insights and innovative products that differentiate both the supplier and retailer while providing economic incentives or assistance. The Company's solutions enable suppliers to work with their retail partners to align their objectives of increasing sales through expanded distribution of their product offering and the objectives of the retailer to increase sales, reduce inventory carrying risk and minimizing out of stocks. Additionally, the Company is able to share the retailer scan sales data with the supplier to assist them in improving forecasts and production planning by leveraging the most reliable demand signal in daily sales by store and item.

### *Specialty Retailers*

Specialty retailers and their suppliers are faced with many of the same replenishment and forecasting challenges as other retailers, with the added complexity of managing an ever increasing imported versus domestic manufacturing model. The added manufacturing and transportation lead-time puts an increased premium on both accurate and timely forecasting. The Company has developed a suite of applications to facilitate collaborative analysis and forecasting. The specialty retailers are faced with strong competition for qualified managers and staff. Managers are time-constrained due to increased labor and inventory demands, margins are increasingly tight due to higher labor and lease costs and customer satisfaction demands are higher than ever before. The Company has developed a range of applications that enable managers in specialty retail to improve their labor scheduling efficiency and reduce their total paperwork and administrative workload.

### **Benefits of our Solutions and Services**

Our Supply Chain services bring 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.

Key advantages of our solution include:

- synchronizing retailers and suppliers so they can actually exchange information;
- aligning their financial interests with payment and invoicing protocols and systems;
- enlisting brain power of suppliers to help retailers manage complex businesses;
- providing information to each side to identify and fix out of stocks and overstocks;
- providing forecasting technology to improve store orders;
- providing forecasting to help suppliers replenish retailer warehouses;
- providing systems for suppliers to actually manage inventory flow to retailers; and
- helping suppliers with overall demand planning and line sequencing.

Ultimately, the Company's products and services come together to create a true partnership between retailers and suppliers.



## Solutions and Services

### *Solutions*

The Company's primary solutions are Scan Based Trading, ScoreTracker, Vendor Managed Inventory, Store Level Replenishment, Enterprise Supply Chain Planning Suite, Fresh Market Manager and ActionManager®, all of which are designed to aid the retailer and supplier with managing inventory, product mix and labor while improving sales through reduced out of stocks by improving visibility and forecasting.

*Scan Based Trading* (“*SBT*”). Our SBT solution eliminates supply chain inefficiencies and helps retailers and suppliers get product to the store shelves more quickly, efficiently and profitably. SBT is an advanced commerce practice where the supplier retains ownership of the inventory until it scans at the cash register. Once the retailer and supplier have agreed to begin an SBT relationship, the first step is item and price authorization. This process matches retailer and supplier product data to eliminate invoice discrepancies at the point of sale. Our SBT system receives the scan sales data and maintains it in a repository to ensure that product movement data is available to all members of the trading community. Implementation creates increased demand visibility and improved forecast accuracy. Our SBT solution is offered as a hosted service, so implementation is immediate and always available.

*ScoreTracker*. Our ScoreTracker solution gives retailers and suppliers a clear view into critical aspects of their supply chain operations so that they can better serve the consumer. This visibility solution provides analysis of scan sales data by store, by day and by category. Retailers and suppliers better understand what is selling, the velocity at which a product is moving and how profitable it is. In addition, our solution helps analyze shrink and how to use that information to prevent out of stocks. This tool is provided to retailers and suppliers who provide additional data inputs valuable to operating their business such as routes, returns and credits. The ScoreTracker solution enables a true collaborative view to the Key Performance Indicators (“*KPI's*”) for both retailers and suppliers. The Company is a neutral third party between the trading partners and the retailer and ScoreTracker delivers a trusted view to performance and actionable insights with respect to improving sales and item performance and reducing operational and shrink costs.

*Vendor-Managed Inventory* (“*VMI*”). VMI programs are gaining in popularity because suppliers have come to realize that VMI offers the opportunity to better align themselves with their trading partners and add value to those relationships. Our VMI solution provides collaborative tools that increase supply chain efficiencies, lower inventory and enhance trading partner relationships. The solution is pre-mapped to the specific requirements of each trading partner for the transfer of electronic data directly into our system. This enables suppliers to analyze retailer-supplied demand information, automatically generate orders for each customer, set inventory policy at the retailer's distribution center and monitor on-going inventory levels, determine which items need to be replenished, and how to ship them most cost-effectively. Our VMI suite has the flexibility and functionality to scale to accommodate new trading partners. Our solution delivers real value for suppliers through fewer out-of-stocks, increased inventory turns, and increased customer satisfaction and loyalty.

*Store Level Replenishment* (“*SLR*”). Many retailers are shifting the responsibility of replenishing product at the store shelf onto the suppliers who bring that product into the store. Avoiding overstocks and understocks, particularly with highly promoted products such as ice cream or bread, has been a challenge for DSD suppliers. Our on-demand SLR solution provides these suppliers visibility into store level movement and activity, and generates replenishment orders based on point of sale data. Suppliers using this solution are able to optimize store-level demand forecasting and replenishment, resulting in fewer out of stocks and lost sales. Retailers benefit by having product on the shelf.

*Enterprise Supply Chain Planning Suite (“ ESCP ”)* . Our ESCP suite includes a solution to help users analyze point of service data and other demand signals to gain insight into customer demand. Suppliers have visibility into historical data – seasonal events, promotions and buying trends – to facilitate accurate forecasting. Our software assesses how inventory will be impacted, then calculates recommended stocking levels, considers service level goals and develops a time-phased replenishment plan. The solution brings demand data into one place where users can easily manage the complex sets of data and parameters that impact their businesses, including seasonal builds, desired service levels, and manufacturing constraints. ESCP considers consumption rates and inventory levels and automatically calculates time-phase safety stocks and replenishment quantities while being extremely flexible and can be configured to meet the needs of any company’s supply chain processes.

The Company also offers a variety of other solutions that address the unique needs of its customers.

*Fresh Market Manager*. Addressing the inventory issues that plague today’s retailers, Fresh Market Manager is a suite of software product applications designed to help manage perishable food departments including bakery, deli, seafood, produce, meat, home meal replacement, dairy, frozen food, and floral. Fresh Market Manager helps identify true cost of goods and provides accurate and actionable profitability data on a corporate, regional, store-by-store and/or item-by-item basis. Fresh Market Manager also produces hour-by-hour forecasts, production plans, perpetual inventory and placed/received orders. Fresh Market Manager automates the majority of the planning, forecasting, ordering and administrative functions associated with fresh merchandise or products.

*ActionManager®*. The second most important cost element typically facing today’s retailers is labor. ActionManager® addresses labor needs by providing a suite of solutions that forecast labor demand, schedules staff resources and provides store managers with the necessary tools to keep labor costs under control while improving customer service, satisfaction, and sales. ActionManager® applications provide an automated method for managers to plan, schedule and administer many administrative tasks including new hire, time and attendance paperwork. In addition to automating most administrative processes, ActionManager® provides the local manager with a “dashboard” view of the business. ActionManager® also has extensive reporting capabilities for corporate, field and store-level management to enable improved decision support.

*ReposiTrak™*. On February 14, 2012, the Company announced a venture with Levitt Partners, an internationally known health care and food safety-consulting firm, which formed ReposiTrak, formerly, Global Supply Chain Systems, Inc. ReposiTrak provides a document management service which provides visibility to insurance and indemnification documents, reports, audits, etc. for every facility in the connected supply chain, all in a single location through its web-based application. It also provides a targeted solution for improving supply chain visibility for food and drug safety. ResposiTrak’s solution, similarly called ResposiTrak™, is powered by the Company’s technology and was developed in response to the passage of the Food Safety and Modernization Act in January of 2012. 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. In the event of a product recall, the solution quickly identifies the supply chain path taken by the recalled product or product component, and allows for the removal of affected products in a matter of minutes, rather than weeks. Additionally, ResposiTrak™ reduces risk of further contamination in the supply chain by identifying backward chaining sources and forward chaining recipients of affected products in near real time.

## ***Services***

***Business Analytics*** . Park City Group's Business Analytics Group offers business-consulting services to suppliers and retailers in the grocery, convenience store and specialty retail industries. The Business Analytics Group mines store-level scan data to develop item-specific recommendations to improve customer satisfaction and profitability.

***Professional Services***. Our Professional Services Group provides consulting services to ensure that our solutions are seamlessly integrated into our customers' business processes as quickly and efficiently as possible. In addition to implementation of our solutions, we have developed a portfolio of service offerings designed to deliver unparalleled performance throughout the lifecycle of the customer's solution. Specific services are tailored to each customer and include the following: implementation, business optimization, technical services, education, business process outsourcing and advisory services. The intent of such services is to support our clients' business operations by enabling them to maximize the speed, effectiveness and overall value of our offerings. We believe the ability to create value for our customers is critical to our long-term success.

## **Technology, Development and Operations**

### ***Product Development***

The products sold by the Company are subject to rapid and continual technological change. Products available from the Company, as well as from its competitors, increasingly offer a wider range of features and capabilities. The Company believes that in order to compete effectively in its selected markets, it must provide compatible systems incorporating new technologies at competitive prices. In order to achieve this, the Company has made a substantial commitment to on-going development.

Our product development strategy is focused on creating common technology elements that can be leveraged in applications across our core markets. Except for its supply chain application, which is based on a proprietary architecture, the Company's software architecture is based on open platforms and is modular, thereby allowing it to be phased into a customer's operations. In order to remain competitive, we are currently designing, coding and testing a number of new products and developing expanded functionality of our current products.

### ***Operations***

We currently serve our customers from a third-party data center hosting facility. Along with the Company's Statement on Standards for Attestation Engagements ("SSAE") No. 16 certification Service Organization Control ("SOC2"), the third-party facility is also a SSAE No. 16 – SOC2 certified location and is secured by around-the-clock guards, biometric screening and escort-controlled access, and is supported by on-site backup generators in the event of a power failure. As part of our current disaster recovery arrangements, all of our customers' data is currently backed-up in near real-time. This strategy is designed to protect our customers' data and ensure service continuity in the event of a major disaster. Even with the disaster recovery arrangements, our service could be interrupted.

### **Customers**

We sell to business of all sizes. Our customers primarily include food related consumer goods retailers, suppliers and manufacturers. However, the Company is opportunistic and will offer its supply chain solutions to non-food consumer goods related companies as well. With the exception of ReposiTrak, none of our retailing or supplier customers accounted for more than 10% percent of our revenue in fiscal 2014 or 2013. Our contractual relationship with ReposiTrak generated \$2,330,700 in subscription and management fees during 2014, which amount constituted approximately 20% of the Company's total revenue in 2014.

## **Sales, Marketing and Customer Support**

### ***Sales and Marketing***

Through a focused and dedicated sales effort designed to address the requirements of each of its software and service solutions, we believe our sales force is positioned to understand our customers' businesses, trends in the marketplace, competitive products and opportunities for new product development. Our deep industry knowledge enables the Company to take a consultative approach in working with our prospects and customers. Our sales personnel focus on selling our technology solutions to major customers, both domestically and internationally.

To date, our primary marketing objectives have been to increase awareness of our technology solutions, generate sales leads and develop new customer relationships. In addition, the sales effort has been directed toward developing existing customers by cross-selling Prescient solutions to legacy Park City Group accounts as well as introducing Park City Group solutions to legacy Prescient customers. To this end, we attend industry trade shows, conduct direct marketing programs, publish industry trade articles and white papers, participate in interviews and selectively advertise in industry publications.

### ***Customer Support***

Our global customer support group responds to both business and technical inquiries from our customers relating to how to use our products and is available to customers by telephone and email. Basic customer support during business hours is available at no charge to customers who purchase certain Company solutions. Premier customer support includes extended availability and additional services, such as an assigned support representative and/or administrator. Premier customer support is available for an additional fee. Additional support services include developer support and partner support.

### **Competition**

The market for the Company's products and services is very competitive. We believe the principal competitive factors include product quality, reliability, performance, price, vendor and product reputation, financial stability, features and functions, ease of use, quality of support and degree of integration effort required with other systems. While our competitors are often considerably larger companies in size with larger sales forces and marketing budgets, we believe that our deep industry knowledge and the breadth and depth of our offerings give us a competitive advantage. Our ability to continually improve our products, processes and services, as well as our ability to develop new products, enables the Company to meet evolving customer requirements. We compete with large enterprise-wide software vendors, developers and integrators, business-to-business exchanges, consulting firms, focused solution providers, and business intelligence technology platforms. Our supply chain solution competitors include supply chain vendors, major enterprise resource planning ("ERP") software vendors, mid-market ERP vendors and niche players for VMI and SLR.

## **Patents and Proprietary Rights**

The Company relies on a combination of trademark, copyright, trade secret and patent laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our name. We also enter into confidentiality agreements with our employees, consultants and other third parties and control access to software, documentation and other proprietary information.

The Company has been awarded nine U.S. patents, eight U.S. registered trademarks and has 37 U.S. copyrights relating to its software technology and solutions. The Company's patent portfolio has been transferred to an unrelated third party, although the Company retains the right to use the licensed patents in connection with its business. However, Company policy is to continue to seek patent protection for all developments, inventions and improvements that are patentable and have potential value to the Company and to protect its trade secrets and other confidential and proprietary information. The Company intends to vigorously defend its intellectual property rights to the extent its resources permit.

The Company is not aware of any patent infringement claims against it; however, there are no assurances that litigation to enforce patents issued to the Company to protect proprietary information, or to defend against the Company's alleged infringement of the rights of others will not occur. Should any such litigation occur, the Company may incur significant litigation costs, Company resources may be diverted from other planned activities, and while the outcome of any litigation is inherently uncertain, any litigation result may cause a materially adverse effect on the Company's operations and financial condition. Any intellectual property claims, with or without merit, could be time-consuming and expensive to resolve, could divert management attention from executing our business plan and could require us to alter our technology, change our business methods and/or pay monetary damages or enter into licensing agreements.

## **Employees**

As of June 30, 2014, the Company employed a total of 57 employees, including 11 software developers and programmers, 14 sales, marketing and account management employees, 21 software service and support employees, four network operations employees and seven accounting and administrative employees. During 2014, the Company contracted with nine programmers and two business analysts overseas. The Company plans to continue expanding its offshore workforce to augment its analytics services offerings, expand its professional services and to provide additional programming resources. The employees are not represented by any labor union.

## **Reports to Security Holders**

The Company is subject to the informational requirements of the Securities Exchange Act of 1934. Accordingly, it files annual, quarterly and other reports and information with the Securities and Exchange Commission. You may read and copy these reports and other information at the Securities and Exchange Commission's public reference rooms in Washington, D.C. and Chicago, Illinois. The Company's filings are also available to the public from commercial document retrieval services and the website maintained by the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

## **Government Regulation and Approval**

Like all businesses, the Company is subject to numerous federal, state and local laws and regulations, including regulations relating to patent, copyright, and trademark law matters.

## **Cost of Compliance with Environmental Laws**

The Company currently has no costs associated with compliance with environmental regulations, and does not anticipate any future costs associated with environmental compliance; however, there can be no assurance that it will not incur such costs in the future.

## ITEM 1A. RISK FACTORS

*An investment in our common stock is subject to many risks. You should carefully consider the risks described below, together with all of the other information included in this Annual Report on Form 10-K, including the financial statements and the related notes, before you decide whether to invest in our common stock. Our business, operating results and financial condition could be harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you could lose all or part of your investment.*

### **Risks Related to the Company**

*The Company has incurred losses in the past and there can be no assurance that the Company will operate profitably in the future.*

The Company's marketing strategy emphasizes sales of subscription-based services, instead of annual licenses, and contracting with suppliers ("spokes") to connect to our clients ("hubs"). This strategy has resulted in the development of a foundation of hubs to which suppliers can be "connected", thereby accelerating future growth. If, however, this marketing strategy fails, revenue and operations will be negatively affected.

The Company had a net loss of \$2,490,145 for the year ended June 30, 2014, compared to a net income of \$257,487 for the year ended June 30, 2013. There can be no assurance that the Company will return to profitability, or reliably or consistently operate profitably in future periods. If the Company does not operate profitably in the future, the Company's current cash resources will be used to fund the Company's operating losses. Continued losses would have an adverse effect on the long-term value of the Company's common stock and any investment in the Company. The Company cannot give any assurance that the Company will continue to generate revenue or have sustainable profits.

*Although the Company's cash resources are currently sufficient, the Company's long-term liquidity and capital requirements may be difficult to predict, which may adversely affect the Company's long-term cash position.*

Historically, the Company has been successful in raising capital when necessary, including stock issuances and securing loans from its officers and directors, including its Chief Executive Officer and majority stockholder, in order to pay its indebtedness and fund its operations, in addition to cash flow from operations. The Company anticipates that it will have adequate cash resources to fund its operations and satisfy its debt obligations for at least the next 12 months, if not longer.

If the Company is required to seek additional financing in the future in order to fund its operations, retire its indebtedness and otherwise carry out its business plan, there can be no assurance that such financing will be available on acceptable terms, or at all, and there can be no assurance that any such arrangement, if required or otherwise sought, would be available on terms deemed to be commercially acceptable and in the Company's best interests.

*The Company faces risks associated with new product introductions, and because of its contractual obligation to provide management services to ReposiTrak, Inc., the Company faces risks associated with ReposiTrak™.*

The first installations of ReposiTrak™ began in August 2012, and market and product data related to these implementations is still being analyzed. The Company also continually receives and analyzes market and product data on other products, and the Company may endeavor to develop and commercialize new product offerings based on this data. The following risks apply to ReposiTrak™ and other potential new product offerings:

- it may be difficult for the Company to predict the amount of service and technological resources that will be needed by customers of ReposiTrak™ or other new offerings, and if the Company underestimates the necessary resources, the quality of its service will be negatively impacted thereby undermining the value of the product to the customer;
- the Company lacks experience with ReposiTrak™ and the market acceptance to accurately predict if it will be a profitable product;

- technological issues between the Company and customers may be experienced in capturing data, and these technological issues may result in unforeseen conflicts or technological setbacks when implementing additional installations of RespoiTrak™. This may result in material delays and even result in a termination of the RespoiTrak™ engagement;
- the customer's experience with RespoiTrak™ and other new offerings, if negative, may prevent the Company from having an opportunity to sell additional products and services to that customer;
- if customers do not use RespoiTrak™ as the Company recommends and fails to implement any needed corrective action(s), it is unlikely that customers will experience the business benefits from the software and may therefore be hesitant to continue the engagement as well as acquire any additional software products from the Company; and
- delays in proceeding with the implementation of RespoiTrak™ or other new products for a new customer will negatively affect the Company's cash flow and its ability to predict cash flow.

***RespoiTrak owes certain fees to the Company under the current contractual relationship between the Company and RespoiTrak, resulting in RespoiTrak issuing the Company promissory notes in order to make required payments, totaling approximately \$3.0 million at June 30, 2014.***

Under the terms of the Omnibus Agreement and in consideration for a warrant to acquire the majority interest in RespoiTrak, effective June 30, 2013, the Company accepted from RespoiTrak a promissory note in the principal amount of approximately \$1.62 million, representing annual fees due and owing the Company at June 30, 2013 under the terms of the initial Subscription Agreement and Management and Operating Agreement between the Company and RespoiTrak, dated April 1, 2012 . The Company received additional notes in the aggregate principal amount of approximately \$1.2 million during the year ended June 30, 2014, and the current amount of the outstanding notes from RespoiTrak, including interest accrued on the notes, is approximately \$3.0 million. In addition, RespoiTrak may make future payments to the Company for annual and other fees due the Company under the terms of the Omnibus Agreement in the form of additional promissory notes. In the event of a default under any such notes, the Company's financial results, including its financial condition, may be adversely and materially affected.

***Approximately 20% of our total revenue during 2014 was attributable to RespoiTrak. In the event the market for RespoiTrak's services fails to develop as anticipated, or RespoiTrak is otherwise unable to execute its business plan, our financial condition and results of operations may be materially and adversely affected.***

The Company recognized approximately \$2.3 million in subscription and management fees during the year ended June 30, 2014 from its contractual relationship with RespoiTrak, which amount constituted approximately 20% of the Company's total revenue in 2014. Of the fees paid to us during 2014 by RespoiTrak, approximately \$1.2 million was paid in cash from proceeds of loans by the Company to RespoiTrak which are evidenced by promissory notes. In the event the market for RespoiTrak's services fails to develop as anticipated, or RespoiTrak is otherwise unable to execute its business plan, the Company's financial results, including its financial condition, may be adversely and materially affected.

***Quarterly and annual operating results may fluctuate, which makes it difficult to predict future performance.***

Management expects a significant portion of the Company's revenue stream to come from the sale of subscriptions, and to a lesser extent, license sales, maintenance and services charged to new customers. These amounts will fluctuate because predicting future sales is difficult and involves speculation. In addition, the Company may potentially experience significant fluctuations in future operating results caused by a variety of factors, many of which are outside of its control, including:

- our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers' requirements;
- the renewal rates for our service;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- changes in our pricing policies whether initiated by us or as a result of competition;
- the cost, timing and management effort for the introduction of new features to our service;
- the rate of expansion and productivity of our sales force;
- new product and service introductions by our competitors;
- variations in the revenue mix of editions or versions of our service;
- technical difficulties or interruptions in our service;
- general economic conditions that may adversely affect either our customers' ability or willingness to purchase additional subscriptions or upgrade their service, or delay a prospective customers' purchasing decision, or reduce the value of new subscription contracts or affect renewal rates;
- timing of additional investments in our enterprise cloud computing application and platform services and in our consulting service;
- regulatory compliance costs;
- the timing of customer payments and payment defaults by customers;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- the impact of new accounting pronouncements; and
- the timing of stock awards to employees and the related financial statement impact.

Future operating results may fluctuate because of the foregoing factors, making it difficult to predict operating results. Period-to-period comparisons of operating results are not necessarily meaningful and should not be relied upon as an indicator of future performance. In addition, a relatively large portion of the Company's expenses will be fixed in the short-term, particularly with respect to facilities and personnel. Therefore, future operating results will be particularly sensitive to fluctuations in revenue because of these and other short-term fixed costs.



***The Company will need to effectively manage its growth in order to achieve and sustain profitability. The Company's failure to manage growth effectively could reduce its sales growth and result in continued net losses.***

To achieve continual and consistent profitable operations on a fiscal year on-going basis, the Company must have significant growth in its revenue from its products and services, specifically subscription-based services. If the Company is able to achieve significant growth in future subscription sales, and expands the scope of its operations, the Company's management, financial condition, operational capabilities, and procedures and controls could be strained. The Company cannot be certain that its existing or any additional capabilities, procedures, systems, or controls will be adequate to support the Company's operations. The Company may not be able to design, implement or improve its capabilities, procedures, systems or controls in a timely and cost-effective manner. Failure to implement, improve and expand the Company's capabilities, procedures, systems or controls in an efficient and timely manner could reduce the Company's sales growth and result in a reduction of profitability or increase of net losses.

***The Company's officers and directors have significant control over it, which may lead to conflicts with other stockholders over corporate governance.***

The Company's officers and directors, including our Chief Executive Officer, Randall K. Fields, control approximately 37.3% of the Company's common stock. Mr. Fields, individually, controls 29.5% of the Company's common stock. Consequently, Mr. Fields individually, and the Company's officers and directors, as stockholders acting together, are able to significantly influence all matters requiring approval by the Company's stockholders, including the election of directors and significant corporate transactions, such as mergers or other business combination transactions.

***The Company's corporate charter contains authorized, unissued "blank check" preferred stock issuable without stockholder approval with the effect of diluting then current stockholder interests.***

The Company's certificate of incorporation currently authorizes the issuance of up to 30,000,000 shares of 'blank check' preferred stock with designations, rights, and preferences as may be determined from time to time by the Company's Board of Directors. As of June 30, 2014, a total of 411,927 shares of Series B Convertible Preferred Stock ("Series B Preferred") were issued and outstanding. The Company's board of directors is empowered, without stockholder approval, to issue one or more additional series of preferred stock with dividend, liquidation, conversion, voting, or other rights that could dilute the interest of, or impair the voting power of, the Company's common stockholders. The issuance of an additional series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control.

***Because the Company has never paid dividends on its common stock, investors should exercise caution before making an investment in the Company.***

The Company has never paid dividends on its common stock and does not anticipate the declaration of any dividends pertaining to its common stock in the foreseeable future. The Company intends to retain earnings, if any, to finance the development and expansion of the Company's business. The Company's board of directors will determine future dividend policy at their sole discretion and future dividends will be contingent upon future earnings, if any, obligations of the stock issued, the Company's financial condition, capital requirements, general business conditions and other factors. Future dividends may also be affected by covenants contained in loan or other financing documents, which may be executed by the Company in the future. Therefore, there can be no assurance that dividends will ever be paid on its common stock.

***The Company's business is dependent upon the continued services of the Company's founder and Chief Executive Officer, Randall K. Fields; should the Company lose the services of Mr. Fields, the Company's operations will be negatively impacted.***

The Company's business is dependent upon the expertise of its founder and Chief Executive Officer, Randall K. Fields. Mr. Fields is essential to the Company's operations. Accordingly, an investor must rely on Mr. Fields' management decisions that will continue to control the Company's business affairs. The Company currently maintains key man insurance on Mr. Fields' life in the amount of \$5,000,000; however, that coverage would be inadequate to compensate for the loss of his services. The loss of the services of Mr. Fields would have a materially adverse effect upon the Company's business.

***If the Company is unable to attract and retain qualified personnel, the Company may be unable to develop, retain or expand the staff necessary to support its operational business needs.***

The Company's current and future success depends on its ability to identify, attract, hire, train, retain and motivate various employees, including skilled software development, technical, managerial, sales, marketing and customer service personnel. Competition for such employees is intense and the Company may be unable to attract or retain such professionals. If the Company fails to attract and retain these professionals, the Company's revenue and expansion plans may be negatively impacted.

***The Company's officers and directors have limited liability and indemnification rights under the Company's organizational documents, which may impact its results.***

The Company's officers and directors are required to exercise good faith and high integrity in the management of the Company's affairs. The Company's certificate of incorporation and bylaws, however, provide, that the officers and directors shall have no liability to the stockholders for losses sustained or liabilities incurred which arise from any transaction in their respective managerial capacities unless they violated their duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend or stock repurchase or derived an improper benefit from the transaction. As a result, an investor may have a more limited right to action than he would have had if such a provision were not present. The Company's certificate of incorporation and bylaws also require it to indemnify the Company's officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate the Company's business or conduct the Company's internal affairs, provided that the officers and directors reasonably believe such actions to be in, or not opposed to, the Company's best interests, and their conduct does not constitute gross negligence, misconduct or breach of fiduciary obligations.

## **Business Operations Risks**

***If the Company's marketing strategy fails, its revenue and operations will be negatively affected.***

The Company plans to concentrate its future sales efforts towards marketing the Company's applications and services, and specifically to contract with suppliers (" *spokes* ") to connect to our existing retail customers (" *hubs* ") previously signed up by the Company. These applications and services are designed to be highly flexible so that they can work in multiple retail and supplier environments such as grocery stores, convenience stores, specialty retail and route-based delivery environments. There is no assurance that the public will accept the Company's applications and services in proportion to the Company's increased marketing of this product line, or that the Company will be able to successfully leverage its hubs to increase revenue by connecting suppliers. The Company may face significant competition that may negatively affect demand for its applications and services, including the public's preference for the Company's competitors' new product releases or updates over the Company's releases or updates. If the Company's applications and services marketing strategies fail, the Company will need to refocus its marketing strategy toward other product offerings, which could lead to increased development and marketing costs, delayed revenue streams, and otherwise negatively affect the Company's operations.

***Because the Company's emphasis is on the sale of subscription based services, rather than annual license fees, the Company's revenue may be negatively affected.***

Historically, the Company offered applications and related maintenance contracts to new customers for a one-time, non-recurring up front license fee and provided an option for annually renewing their maintenance agreements. The Company is now principally offering prospective customers monthly subscription based licensing of its products. The Company's customers may now choose to acquire a license to use the software on an Application Solution Provider basis (also referred to as "ASP") resulting in monthly charges for use of the Company's software products and maintenance fees. The Company's conversion from a strategy of one-time, non-recurring licensing based model to a monthly recurring fees based approach is subject to the following risks:

- the Company's customers may prefer one-time fees rather than monthly fees; and
- there may be a threshold level (number of locations) at which the monthly based fee structure may not be economical to the customer, and a request to convert from monthly fees to an annual fee could occur.

***The Company faces threats from competing and emerging technologies that may affect its profitability .***

Markets for the Company's type of software products and that of its competitors are characterized by:

- development of new software, software solutions or enhancements that are subject to constant change;
- rapidly evolving technological change; and
- unanticipated changes in customer needs.

Because these markets are subject to such rapid change, the life cycle of the Company's products is difficult to predict. As a result, the Company is subject to the following risks:

- whether or how the Company will respond to technological changes in a timely or cost-effective manner;
- whether the products or technologies developed by the Company's competitors will render the Company's products and services obsolete or shorten the life cycle of the Company's products and services; and
- whether the Company's products and services will achieve market acceptance.

***Interruptions or delays in service from our third-party data center hosting facility could impair the delivery of our service and harm our business.***

We currently serve our customers from a third-party data center hosting facility located in the United States. Any damage to, or failure of, our systems generally could result in interruptions in our service. As we continue to add capacity, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Further, any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our renewal rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable.

As part of our current disaster recovery arrangements, our production environment and all of our customers' data is currently replicated in near real-time in a separate facility physically located in a different geographic region of the United States. Companies and products added through acquisition may be temporarily served through an alternate facility. We do not control the operation of these facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted.

***If our security measures are breached and unauthorized access is obtained to a customer's data, our data or our information technology systems, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.***

Our service involves the storage and transmission of customers' proprietary information, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. These security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise during transfer of data to additional data centers or at any time, and result in someone obtaining unauthorized access to our customers' data or our data, including our intellectual property and other confidential business information, or our information technology systems. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers' data or our data, including our intellectual property and other confidential business information, or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any security breach could result in a loss of confidence in the security of our service, damage our reputation, disrupt our business, lead to legal liability and negatively impact our future sales.

***We cannot accurately predict subscription renewal or upgrade rates and the impact these rates may have on our future revenue and operating results.***

Our customers have no obligation to renew their subscriptions for our service after the expiration of their initial subscription period. Our renewal rates may decline or fluctuate as a result of a number of factors, including customer dissatisfaction with our service, customers' ability to continue their operations and spending levels, and deteriorating general economic conditions. If our customers do not renew their subscriptions for our service or reduce the level of service at the time of renewal, our revenue will decline and our business will suffer.

Our future success also depends in part on our ability to sell additional features and services, more subscriptions or enhanced editions of our service to our current customers. This may also require increasingly sophisticated and costly sales efforts that are targeted at senior management. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions. If our efforts to upsell to our customers are not successful, our business may suffer.

***Weakened global economic conditions may adversely affect our industry, business and results of operations.***

Our overall performance depends in part on worldwide economic conditions. The United States and other key international economies have experienced in the past a downturn in which economic activity was impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty with respect to the economy. These conditions affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our enterprise cloud computing services, delay prospective customers' purchasing decisions, reduce the value or duration of their subscription contracts or affect renewal rates, all of which could adversely affect our operating results.

***If the Company is unable to adapt to constantly changing markets and to continue to develop new products and technologies to meet the customers' needs, the Company's revenue and profitability will be negatively affected.***

The Company's future revenue is dependent upon the successful and timely development and licensing of new and enhanced versions of its products and potential product offerings suitable to the customer's needs. If the Company fails to successfully upgrade existing products and develop new products, and those new products do not achieve market acceptance, the Company's revenue will be negatively impacted.

***The Company faces risks associated with the loss of maintenance and other revenue.***

The Company has historically experienced the loss of long-term maintenance customers as a result of the reliability of some of its products. Some customers may not see the value in continuing to pay for maintenance that they do not need or use, and in some cases, customers have decided to replace the Company's applications or maintain the system on their own. The Company continues to focus on these maintenance clients by providing new functionality and enhancements to meet their business needs. The Company also may lose some maintenance revenue due to consolidation of industries, macroeconomic conditions or customer operational difficulties that lead to their reduction of size. In addition, future revenue will be negatively impacted if the Company fails to add new maintenance customers that will make additional purchases of the Company's products and services.

***The Company faces risks associated with proprietary protection of the Company's software.***

The Company's success depends on the Company's ability to develop and protect existing and new proprietary technology and intellectual property rights. The Company seeks to protect its software, documentation and other written materials primarily through a combination of patents, trademarks, and copyright laws, trade secret laws, confidentiality procedures and contractual provisions. While the Company has attempted to safeguard and maintain the Company's proprietary rights, there are no assurances that the Company will be successful in doing so. The Company's competitors may independently develop or patent technologies that are substantially equivalent or superior to the Company's.

Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or obtain and use information that the Company regards as proprietary. In some types of situations, the Company may rely in part on 'shrink wrap' or 'point and click' licenses that are not signed by the end user and, therefore, may be unenforceable under the laws of certain jurisdictions. Policing unauthorized use of the Company's products is difficult. While the Company is unable to determine the extent to which piracy of the Company's software exists, software piracy can be expected to be a persistent problem, particularly in foreign countries where the laws may not protect proprietary rights as fully as the United States. The Company can offer no assurance that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not reverse engineer or independently develop similar technology.

***The Company may discover software errors in its products that may result in a loss of revenue, injury to the Company's reputation or subject us to substantial liability.***

Non-conformities or bugs (" errors ") may be found from time to time in the Company's existing, new or enhanced products after commencement of commercial shipments, resulting in loss of revenue or injury to the Company's reputation. In the past, the Company has discovered errors in its products and as a result, has experienced delays in the shipment of products. Errors in the Company's products may be caused by defects in third-party software incorporated into the Company's products. If so, the Company may not be able to fix these defects without the cooperation of these software providers. Since these defects may not be as significant to the software provider as they are to us, the Company may not receive the rapid cooperation that may be required. The Company may not have the contractual right to access the source code of third-party software, and even if the Company does have access to the code, the Company may not be able to fix the defect. In addition, our customers may use our service in unanticipated ways that may cause a disruption in service for other customers attempting to access their data. Since the Company's customers use the Company's products for critical business applications, any errors, defects or other performance problems could hurt the Company's reputation and may result in damage to the Company's customers' business. If that occurs, customers could elect not to renew, delay or withhold payment to us, we could lose future sales or customers may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation. These potential scenarios, successful or otherwise, would likely be time consuming and costly.

***Some competitors are larger and have greater financial and operational resources that may give them an advantage in the market.***

Many of the Company's competitors are larger and have greater financial and operational resources. This may allow them to offer better pricing terms to customers in the industry, which could result in a loss of potential or current customers or could force us to lower prices. Any of these actions could have a significant effect on revenue. In addition, the competitors may have the ability to devote more financial and operational resources to the development of new technologies that provide improved operating functionality and features to their product and service offerings. If successful, their development efforts could render the Company's product and service offerings less desirable to customers, again resulting in the loss of customers or a reduction in the price the Company can demand for the Company's offerings.

#### **Risks Relating to the Company's Common Stock**

***The limited public market for the Company's securities may adversely affect an investor's ability to liquidate an investment in the Company.***

Although the Company's common stock is currently quoted on the NASDAQ Capital Market, there is limited trading activity. The Company can give no assurance that an active market will develop, or if developed, that it will be sustained. If an investor acquires shares of the Company's common stock, the investor may not be able to liquidate the Company's shares should there be a need or desire to do so.

***Future issuances of the Company's shares may lead to future dilution in the value of the Company's common stock, will lead to a reduction in shareholder voting power and may prevent a change in Company control.***

The shares may be substantially diluted due to the following:

- issuance of common stock in connection with funding agreements with third parties and future issuances of common and preferred stock by the Board of Directors; and
- the Board of Directors has the power to issue additional shares of common stock and preferred stock and the right to determine the voting, dividend, conversion, liquidation, preferences and other conditions of the shares without shareholder approval.

Stock issuances may result in reduction of the book value or market price of outstanding shares of common stock. If the Company issues any additional shares of common or preferred stock, proportionate ownership of common stock and voting power will be reduced. Further, any new issuance of common or preferred stock may prevent a change in control or management.

**ITEM 2. PROPERTIES**

Our principal place of business operations is located at 299 South Main Street, Suite 2370, Salt Lake City, UT 84111. We lease approximately 5,300 square feet at this corporate office location, consisting primarily of office space, conference rooms and storage areas. Our telephone number is (435) 645-2000. Our website address is <http://www.parkcitygroup.com>.

**ITEM 3. LEGAL PROCEEDINGS**

We are, from time to time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. There are no pending or threatened legal proceedings at this time.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Share Price History

Our common stock is traded on the NASDAQ Capital Market under the trading symbol "PCYG." The following table sets forth the high and low sales prices of our common stock for the periods indicated. The price information contained in the table was obtained from Internet sources considered reliable. Note that such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and the quotations may not necessarily represent actual transactions in the common stock.

Fiscal Quarter Ended	Quarterly Common Stock Price Ranges			
	2014		2013	
	High	Low	High	Low
September 30	\$ 10.75	\$ 6.06	\$ 4.01	\$ 3.30
December 31	\$ 11.61	\$ 7.95	\$ 3.30	\$ 2.79
March 31	\$ 10.88	\$ 6.88	\$ 4.12	\$ 2.98
June 30	\$ 13.97	\$ 9.00	\$ 7.58	\$ 3.60

#### Dividend Policy

To date, the Company has not paid dividends on its common stock. Our present policy is to retain future earnings (if any) for use in our operations and the expansion of our business.

Shares of our Series B Preferred, our only outstanding series of preferred stock, were issued in July 2010. Between July 2010 and July 2013, holders of Series B Preferred were entitled to receive, out of funds legally available, dividends at a rate of 12%. Beginning in 2013, dividends payable on the Series B Preferred increased to 15% per annum, and will increase to 18% per annum in 2015. Dividends are payable quarterly in cash.

#### Holders of Record

At September 11, 2014 there were 660 holders of record of our common stock, and 17,106,645 shares were issued and outstanding. The number of holders of record and shares issued and outstanding was calculated by reference to the books and records of the Company's transfer agent.

#### Issuance of Securities

We issued shares of our common stock in unregistered transactions during fiscal year 2014. All of the shares of common stock issued in non-registered transactions were issued in reliance on Section 3(a)(9) and/or Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and were reported in our Quarterly Reports on Form 10-Q and in our Current Reports on Form 8-K filed with the Commission during the fiscal year ended June 30, 2014. No shares of common or preferred stock were issued subsequent to June 30, 2014, that have not been previously reported.

### ITEM 6. SELECTED FINANCIAL DATA

Not a required disclosure for registrants reporting under the smaller reporting company scaled disclosure requirements.



## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following Management's Discussion and Analysis is intended to assist the reader in understanding our results of operations and financial condition. Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements beginning on page F-1 of this Annual Report. This Form 10-K includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act. All statements, other than statements of historical fact, included in this Form 10-K that address activities, events or developments that we expect, project, believe, or anticipate will or may occur in the future, including matters having to do with expected and future revenue, our ability to fund our operations and repay debt, business strategies, expansion and growth of operations and other such matters, are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. These statements are subject to a number of assumptions, risks and uncertainties, including general economic and business conditions, the business opportunities (or lack thereof) that may be presented to and pursued by us, our performance on our current contracts and our success in obtaining new contracts, our ability to attract and retain qualified employees, and other factors, many of which are beyond our control. You are cautioned that these forward-looking statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in such statements.*

### Overview

Park City Group, Inc. (the "Company") is a 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 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 \$9.4 million this year. During that same period our revenue has transitioned from 6% subscription revenue and 94% license and other revenue basis to 79% subscription revenue and 21% license and other revenue basis.

The Company is incorporated in the state of Nevada. The Company has two subsidiaries, PC Group, Inc. (formerly, Park City Group, Inc., a Delaware corporation), a Utah Corporation (98.76% owned), and Park City Group, Inc., (formerly, Prescient Applied Intelligence, Inc.), a wholly owned Delaware corporation. All intercompany transactions and balances have been eliminated in consolidation. The Company is incorporated in the state of Nevada. The Company's 98.76% and 100% owned subsidiaries, PC Group, Inc. and Prescient, which recently changed its name to Park City Group, Inc., respectively, are incorporated in the states of Utah and Delaware, respectively. All intercompany transactions and balances have been eliminated in consolidation.

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

## **Recent Developments**

### *ResposiTrak Agreement*

Effective June 30, 2013, the Company, ReposiTrak, and Levitt entered into the Omnibus Agreement, wherein, 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. During the year ended June 30, 2014, the Company received \$2,330,700 in subscription and management fees pursuant to the Omnibus Agreement.

### *Listing of Common Stock on the NASDAQ Capital Market*

On October 15, 2013, the Company notified 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".

## **Fiscal Year**

Our fiscal year ends on June 30. References to fiscal 2014 refer to the fiscal year ended June 30, 2014.

## **Sources of Revenue**

The Company derives revenue from four sources: (i) subscription fees, (ii) hosting, premium support and maintenance service fees beyond the standard services offered, (iii) license fees, and (iv) professional services consisting of development services, consulting, training and education.

Subscription revenue is driven primarily by the number of connections between suppliers and retailers, the number of stores and SKU's. Subscription revenue contains arrangements with customers accessing our applications, which includes the use of the application, application and data hosting, subscription-based maintenance of the application and standard support included with the subscription.

Our hosting services provide remote management and maintenance of our software and customers' data, which is physically located in third party facilities. Customers access 'hosted' software and data through a secure internet connection. Premium support services include technical assistance for our software products and unspecified product upgrades and enhancements on a when and if available basis beyond what is offered with our basic subscription package.

License arrangements are a perpetual license. Software license maintenance agreements are typically annual contracts with customers that are paid in advance or according to terms specified in the contract. This provides the customer access to new software enhancements, maintenance releases, patches, updates and technical support personnel.

Professional services revenue is comprised of revenue from development, consulting, education and training. Development services include customizations and integrations for a client's specific business application. Consulting, education and training include implementation and best practices consulting. Our professional services fees are more frequently billed on a fixed price/fixed scope, but may also be billed on a time and materials basis. We have determined that the professional services element of our software and subscription arrangements is not essential to the functionality of the software.

### **Critical Accounting Policies**

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

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue 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.

### **Goodwill and Other Long-Lived Asset Valuations**

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.

### **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 revenue ratably over the length of the agreement beginning on the commencement dates of each agreement or when revenue recognition conditions are satisfied. 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 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 subscription revenue ratably over the length of the agreement and professional services are recognized 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 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 contact 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.

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.

### **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.

### **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, revenue and results of operation, liquidity or capital expenditures.

## Results of Operations – Fiscal Years Ended June 30, 2014 and 2013

### Revenue

	Fiscal Year Ended June 30,		Variance	
	2014	2013	Dollars	Percent
Subscription	\$ 9,398,377	\$ 8,025,025	\$ 1,373,352	17%
Other revenues	2,530,039	3,293,549	(763,510)	-23%
Total revenue	\$ 11,928,416	\$ 11,318,574	\$ 609,842	5%

During the fiscal year ended June 30, 2014, the Company had total revenue of \$11,928,416 compared to \$11,318,574 for the year ended June 30, 2013, a 5% increase. This \$609,842 increase in total revenue was principally due to an increase of \$1,373,352 in subscription revenue, and offset by a decrease of \$763,510 in other revenue, as more particularly described below. Total revenue recorded for the fiscal year ended June 30, 2014 included \$2,330,700 received from ReposiTrak subscription and management fees.

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 will continue to result in increased revenue during the fiscal year ending June 30, 2014, 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 ReposiTrak™ 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.

#### *Subscription Revenue*

Subscription revenue was \$9,398,377 and \$8,025,025 in 2014 and 2013 respectively, an increase of 17%. The net increase of \$1,373,352 is principally due to (i) the growth of existing retailer and supplier subscriptions of approximately \$1.4 million. Subscription revenue recognized from the Company's contractual relationship with ReposiTrak was \$1,606,712 and \$1,300,000 for the year ended June 30, 2014 and 2013, respectively. Of the amount received from ReposiTrak during the year ended June 30, 2014, \$1,200,000 was paid in cash from proceeds of loans by the Company to ReposiTrak which are evidenced by promissory notes reflected on the Company's balance sheet as notes receivable, and \$403,597 is reflected as accounts receivable. 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 \$2,530,039 and \$3,293,549 in 2014 and 2013, respectively, a decrease of 23%. The net decrease of \$763,510 is principally due to (i) net decrease in maintenance revenue of \$417,000, (ii) a decrease in license sales to our legacy customer base, and (iii) a decrease in the professional services. Other revenue includes management fees from the Company's relationship with ReposiTrak, which totaled \$723,988 and \$580,228 for the year ended June 30, 2014 and 2013, respectively. Of the management fees received from ReposiTrak during the 2014 period, \$466,824 was paid in cash and \$257,164 is reflected on the Company's balance sheet as accounts receivable.

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**

	<b>Fiscal Year Ended June 30,</b>		<b>Variance</b>	
	<b>2014</b>	<b>2013</b>	<b>Dollars</b>	<b>Percent</b>
Cost of services and product support	\$ 5,087,973	\$ 4,490,438	\$ 597,535	13%
Percent of total revenue	43%	40%		

Cost of services and product support was \$5,087,973 or 43% of total revenue, and \$4,490,438 or 40% of total revenue for the years ended June 30, 2014 and 2013, respectively, a 13% increase. This increase of \$597,535 for the year ended June 30, 2014 when compared with the same period ended June 30, 2013 is principally due to (i) a \$582,000 increase in employee related expense, and (ii) a \$56,000 increase in travel related expense. These increases were partially offset by a decrease of \$40,000 in other product support costs.

### **Sales and Marketing Expense**

	<b>Fiscal Year Ended June 30,</b>		<b>Variance</b>	
	<b>2014</b>	<b>2013</b>	<b>Dollars</b>	<b>Percent</b>
Sales and marketing	\$ 4,741,574	\$ 3,054,361	\$ 1,687,213	55%
Percent of total revenue	40%	27%		

The Company's sales and marketing expense was \$4,741,574, or 40% of total revenue, and \$3,054,361 or 27% of total revenue, for the fiscal years ended June 30, 2014 and 2013, respectively, a 55% increase. This \$1,687,213 increase over the previous year was primarily the result of (i) an increase of approximately \$1.0 million in marketing expense, (ii) an increase in salary and sales consulting and related expenses of \$592,000, and (iii) an increase of \$59,000 in travel related expense. Management expects sales and marketing expense to remain at current levels to support anticipated growth in subscription revenue, among other factors.

## General and Administrative Expense

	<u>Fiscal Year Ended June 30,</u>		<u>Variance</u>	
	<u>2014</u>	<u>2013</u>	<u>Dollars</u>	<u>Percent</u>
General and administrative	\$ 3,812,265	\$ 2,474,169	\$ 1,338,096	54%
Percent of total revenue	32%	22%		

The Company's general and administrative expense was \$3,812,265, or 32% of total revenue, and \$2,474,169 or 22% of total revenue for the years ended June 30, 2014 and 2013, respectively, a 54% increase. This \$1,338,096 increase when comparing expenditures for the year ended June 30, 2014 with the same period ended June 30, 2013 is principally due to (i) an increase in stock compensation, bonus and salary expense of approximately \$1.2 million, (ii) \$42,000 in increase in bad debt expense, (iii) \$51,000 increase in estimated taxes, and (iv) an increase of \$61,000 in travel and other expense. The increase in general and administrative expense during the comparable period ended June 30, 2014 was partially offset by a decrease of \$64,000 in facility related costs.

## Depreciation and Amortization Expense

	<u>Fiscal Year Ended June 30,</u>		<u>Variance</u>	
	<u>2014</u>	<u>2013</u>	<u>Dollars</u>	<u>Percent</u>
Depreciation and amortization	\$ 879,329	\$ 901,407	\$ (22,078)	-2%
Percent of total revenue	7%	8%		

The Company's depreciation and amortization expense was \$879,329 and \$901,407 for the year ended June 30, 2014 and 2013, respectively, a 2% decrease. Depreciation and amortization expenses decreased by \$22,078 for the year ended, June 30, 2014 when compared to the year ended June 30, 2013 due to the amortization of capitalized software costs. This decrease is partially offset by an increase in depreciation related to new hardware purchases during the year ended June 30, 2014.

## Other Income and Expense

	<u>Fiscal Year Ended June 30,</u>		<u>Variance</u>	
	<u>2014</u>	<u>2013</u>	<u>Dollars</u>	<u>Percent</u>
Interest income (expense)	102,580	(140,712)	\$ 243,292	173%
Percent of total revenue	1%	-1%		

Net other income (expense) was net other income of \$102,580 when compared with net other expense of \$140,712 for the year ended June 30, 2014 and June 30, 2013, respectively. This change of \$243,292 for the year ended June 30, 2014 when compared to the year ended June 30, 2013 is due to interest income on notes receivable of \$174,000, and a decrease in interest expense related to lower outstanding balances on notes payable.

## Preferred Dividends

	Fiscal Year Ended June 30,		Variance	
	2014	2013	Dollars	Percent
Preferred dividends	\$ 617,891	\$ 911,580	\$ (293,689)	-32%
Percent of total revenue	5%	8%		

Dividends accrued on the Company's Series B Preferred was \$617,891 for the year ended June 30, 2014, compared to dividends accrued on the Company's Series A Convertible Preferred Stock ("*Series A Preferred*") and Series B Preferred of \$911,580 for the year ended June 30, 2013. This \$293,689 decrease is primarily attributable to the Company's redemption of all outstanding shares of Series A Preferred in April 2013 (the "*Series A Redemption*").

Before the Series A Redemption, 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.

## 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.

	Fiscal Year Ended June 30,		Variance	
	2014	2013	Dollars	Percent
Cash and Cash Equivalents	\$ 3,352,559	\$ 3,616,585	\$ (264,026)	-7%

We have historically funded our operations with cash from operations, equity financings and debt borrowings. Cash and cash equivalents was \$3,352,559 and \$3,616,585 at June 30, 2014, and June 30, 2013, respectively, a 7% decrease. This \$264,026 decrease from the year ended June 30, 2014 to the comparable period ended June 30, 2013 was principally the result of the use of cash in operations, and notes receivable issued by ReposiTrak, offset by the receipt of approximately \$1.5 million received from certain private placements in March and 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

	Fiscal Year Ended June 30,		Variance	
	2014	2013	Dollars	Percent
Cash flows (used in) operating activities	\$ (92,534)	\$ (149,064)	\$ 56,530	38%

Net cash (used in) operating activities is summarized as follows:

	2014	2013
Net (loss) income	\$ (2,490,145)	\$ 257,487
Noncash expense and income, net	2,882,344	1,889,669
Net changes in operating assets and liabilities	(484,733)	(2,296,220)
	\$ (92,534)	\$ (149,064)



Noncash expense increased by \$993,000 in the year ended June 30, 2014 compared to June 30, 2013. Noncash expense increased as a result of a \$876,000 increase in stock compensation expense, \$97,000 in stock issued as a charitable contribution, and \$42,000 in bad debt expense.

***Net Cash Flows from Investing Activities***

	<b>Fiscal Year Ended June 30,</b>		<b>Variance</b>	
	<b>2014</b>	<b>2013</b>	<b>Dollars</b>	<b>Percent</b>
Cash flows used in investing activities	\$ (1,652,725)	\$ (445,744)	\$ (1,206,981)	271%

Net cash flows used in investing activities for the year ended June 30, 2014 was \$1,652,725 compared to net cash flows used in investing activities of \$445,744 for the year ended June 30, 2013. This \$1,206,981 increase in cash used in investing activities for the 2014 when compared to the same period in 2013 was the result of additional cash spent on property plant and equipment and funds loaned under notes receivable.

***Net Cash Flows from Financing Activities***

	<b>Fiscal Year Ended June 30,</b>		<b>Variance</b>	
	<b>2014</b>	<b>2013</b>	<b>Dollars</b>	<b>Percent</b>
Cash flows provided by financing activities	\$ 1,481,233	\$ 3,105,217	\$ (1,623,984)	-52%

Net cash flows provided by financing activities totaled \$1,481,233 for the year ended June 30, 2014 compared to cash flows used in financing activities of \$3,105,217 for the year ended June 30, 2013. The change in net cash provided by financing activities is primarily attributable to the decrease in stock issued for cash, partially offset by proceeds from the exercise of warrants of \$633,000, proceeds from a note payable of \$161,000, and a decrease in cash paid to notes payable and capital leases.

***Liquidity and Working Capital***

At June 30, 2014, the Company had positive working capital of \$654,042, as compared with positive working capital of \$1,124,476 at June 30, 2013. This \$470,434 decrease in working capital is principally due to the use of cash during the year ended June 30, 2014 caused principally by the increase in net loss during the period. While no assurances can be given, management currently believes that the Company will increase its working capital position in future periods as a result of the projected increase in subscription revenue, among other factors, as well as reduce its indebtedness in subsequent periods utilizing existing cash resources and projected cash flow from operations.

	<b>Fiscal Year Ended June 30,</b>		<b>Variance</b>	
	<b>2014</b>	<b>2013</b>	<b>Dollars</b>	<b>Percent</b>
Current assets	\$ 6,461,397	\$ 6,403,860	\$ 57,537	1%

Current assets at June 30, 2014 totaled \$6,461,397, an increase of \$57,537 when compared to \$6,403,860 at June 30, 2013. This 1% increase in current assets is due to an increase in accounts receivable partially offset by a decrease in prepaid expenses and cash.

	<b>Fiscal Year Ended June 30,</b>		<b>Variance</b>	
	<b>2014</b>	<b>2013</b>	<b>Dollars</b>	<b>Percent</b>
Current liabilities	\$ 5,807,355	\$ 5,279,384	\$ 527,971	10%

Current liabilities totaled \$5,807,355 and \$5,279,384 as of June 30, 2014 and 2013, respectively. The \$527,971 comparative increase in current liabilities is principally due an increase in accounts payable, deferred revenue and accrued liabilities, partially offset by decreases in current notes payable.

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 pay down, pay off or refinance certain of the Company's indebtedness. Management believes that these initiatives will enable us to address our debt service requirements during the next twelve months without negatively impacting our working capital, as well as fund our currently anticipated operations and capital spending requirements.

### **Inflation**

The impact of inflation has historically not had a material effect on the Company's financial condition or results from operations; however, higher rates of inflation may cause retailers to slow their spending in the technology area, which could have an impact on the Company's sales.

### **Recent Accounting Pronouncements**

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This Update clarifies the accounting for equity awards in which the performance target (i.e. an initial public offering) could be achieved after the requisite service period. The guidance require a performance target that affects vesting and that could be achieved after the service period be treated as a performance condition and not be reflected in the fair value of the award. Therefore, the compensation costs will begin to be recognized when it becomes probable that the performance target will be achieved. If the requisite service period is complete, the entire amount of compensation costs should be recognized at that time. This Update is effective for reporting periods beginning after December 15, 2015. The Company currently does not have any stock-based awards meeting the criteria noted so the Company doesn't expect this Update to have a significant impact on its financials However, it will evaluate new grants and ensure the guidance is followed if these types of grants are made.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customer (Topic 606). This Update provides new revenue recognition guidance that will be applicable for all industries and develops a common revenue standard for GAAP and IFRS. The main purpose of the new guidance is to remove inconsistencies, provide a more robust framework, improve comparability among industries, improve disclosure requirements and reduce the number of requirements to which an entity must refer. The guidance outlines the following five steps that should be followed in recognizing revenue:

1. Identify contract with customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when the performance obligation is satisfied.

The update also provides disclosure requirements requiring entities to provide sufficient information to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This Update is effective for public entities for reporting periods beginning after December 15, 2016 and for all other entities, it is effective for periods beginning after December 15, 2017. Due to the extensive nature of this Update, the Company is evaluating the impact this new guidance will have on its financials.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not a required disclosure for registrants reporting under the smaller reporting company scaled disclosure requirements.

### **ITEM 8. FINANCIAL STATEMENTS**

The information required hereunder in this Annual Report on Form 10-K is set forth in the financial statements and the notes thereto beginning on Page F-1.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. 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 June 30, 2014. 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) Management's Annual Report on Internal Control over Financial Reporting.**

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Because of 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.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our internal control over financial reporting as of June 30, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (" *COSO* ") in Internal Control—Integrated Framework. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2014, our internal control over financial reporting was effective.

HJ & Associates, LLC, our independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of our internal control over financial reporting, which report is included in Part IV below.

**(c) 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, Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item will be set forth in our definitive proxy statement for our 2014 annual meeting of stockholders, to be filed within 120 days after our fiscal year end, and is incorporated in this report by reference.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item will be set forth in our definitive proxy statement for our 2014 annual meeting of stockholders, to be filed within 120 days after our fiscal year end, and is incorporated in this report by reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item will be set forth in our definitive proxy statement for our 2014 annual meeting of stockholders, to be filed within 120 days after our fiscal year end, and is incorporated in this report by reference.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item will be set forth in our definitive proxy statement for our 2014 annual meeting of stockholders, to be filed within 120 days after our fiscal year end, and is incorporated in this report by reference.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item will be set forth in our definitive proxy statement for our 2014 annual meeting of stockholders, to be filed within 120 days after our fiscal year end, and is incorporated in this report by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### Exhibits, Financial Statements and Schedules

Exhibit Number	Description
2.1	Agreement and Plan of Merger and Reorganization, Dated August 28, 2008 <sup>(1)</sup>
2.2	Form of Stock Purchase Agreement <sup>(1)</sup>
2.3	Form of Stock Voting Agreement <sup>(1)</sup>
2.4	Form of Promissory Note <sup>(2)</sup>
3.1	Articles Of Incorporation <sup>(3)</sup>
3.2	Certificate Of Amendment <sup>(4)</sup>
3.3	Certificate of Amendment <sup>(5)</sup>
3.4	Bylaws <sup>(3)</sup>
4.1	Certificate of Designation of the Series A Convertible Preferred Stock <sup>(6)</sup>
4.2	Certificate of Designation of the Series B Convertible Preferred Stock <sup>(7)</sup>
10.1	Subordinated Promissory Note, dated April 1, 2009, issued to Riverview Financial Corporation <sup>(8)</sup>
10.2	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated September 15, 2009 <sup>(9)</sup>
10.3	Term Loan Agreement, by and between U.S. Bank National Association and the Company, dated May 5, 2010 <sup>(10)</sup>
10.4	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated May 5, 2010 <sup>(10)</sup>
10.5	Promissory Note, dated August 25, 2009, issued to Baylake Bank <sup>(10)</sup>
10.6	ReposiTrak Omnibus Subscription Agreement <sup>(11)</sup>
10.7	ReposiTrak Promissory Note <sup>(11)</sup>
10.8	Fields Employment Agreement*+
10.9	Services Agreement*+
14.1	Code of Ethics and Business Conduct <sup>(12)</sup>
21	List of Subsidiaries <sup>(13)</sup>
23	Consent of HJ & Associates, LLC, dated September 11, 2014 *
31.1	Certification of Principal Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350

- (1) Incorporated by reference from our Form 8-K dated September 3, 2008.
- (2) Incorporated by reference from our Form 8-K dated September 15, 2008.
- (3) Incorporated by reference from our Form DEF 14C dated June 5, 2002.
- (4) Incorporated by reference from our Form 10-QSB for the year ended Sept 30, 2005.
- (5) Incorporated by reference from our Form 10-KSB dated September 29, 2006.
- (6) Incorporated by reference from our Form 8-K dated June 27, 2007.
- (7) Incorporated by reference from our Form 8-K dated July 21, 2010.
- (8) Incorporated by reference from our Form 8-K dated September 30, 2009.
- (9) Incorporated by reference from our Form 8-K dated October 1, 2009.
- (10) Incorporated by reference from our Form 8-K dated August 25, 2009.
- (11) Incorporated by reference from our Annual Report on Form 10-K dated September 23, 2014.
- (12) Incorporated by reference from our Form 10-KSB dated September 30, 2008.
- (13) Incorporated by reference from our Form 10-K dated September 13, 2011.

\* Filed herewith

+ Due to a clerical error, incorrect copies of these agreements were filed as Exhibits 10.21 and 10.22 to our Annual Report on Form 10-K, dated September 23, 2014. Exhibit 10.8 and 10.9 attached hereto contain true and correct copies of these agreements.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PARK CITY GROUP, INC.**  
(Registrant)

Date: September 11, 2014

By: /s/ Randall K. Fields  
Principal Executive Officer,  
Chairman of the Board and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Randall K. Fields</u> Randall K. Fields	Chairman of the Board and Director, Chief Executive Officer (Principal Executive Officer)	September 11, 2014
<u>/s/ Edward L. Clissold</u> Edward L. Clissold	Chief Financial Officer, General Counsel (Principal Financial Officer & Principal Accounting Officer)	September 11, 2014
<u>/s/ Robert W. Allen</u> Robert W. Allen	Director, and Compensation Committee Chairman	September 11, 2014
<u>/s/ James R. Gillis</u> James R. Gillis	Director	September 11, 2014
<u>/s/ William S. Kies, Jr.</u> William S. Kies, Jr.	Director	September 11, 2014
<u>/s/ Richard Juliano</u> Richard Juliano	Director	September 11, 2014
<u>/s/ Austin F. Noll, Jr.</u> Austin F. Noll, Jr.	Director	September 11, 2014
<u>/s/ Ronald C. Hodge</u> Ronald C. Hodge	Director	September 11, 2014

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Park City Group, Inc.

We have audited Park City Group, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. Park City Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

In our opinion, Park City Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Park City Group, Inc. and subsidiaries and our report dated September 11, 2014 expressed an unqualified opinion.

/s/ HJ & Associates, LLC  
HJ & Associates, LLC  
Salt Lake City, Utah  
September 11, 2014



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Park City Group, Inc.  
Salt Lake City, Utah

We have audited the accompanying consolidated balance sheets of Park City Group, Inc. and subsidiaries as of June 30, 2014 and 2013, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park City Group, Inc. and subsidiaries as of June 30, 2014 and 2013, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2014, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Park City Group, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2014, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992, and our report dated September 11, 2014 expressed an unqualified opinion on the effectiveness of Park City Group, Inc.'s internal control over financial reporting.

/s/ HJ & Associates, LLC  
HJ & Associates, LLC  
Salt Lake City, Utah  
September 11, 2014

**PARK CITY GROUP, INC.**  
**Condensed Consolidated Balance Sheets**

<b>Assets</b>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,352,559	\$ 3,616,585
Receivables, net of allowance of \$70,000 and \$190,000 at June 30, 2014 and 2013, respectively	2,857,983	2,383,366
Prepaid expense and other current assets	<u>250,855</u>	<u>403,909</u>
<b>Total current assets</b>	<u>6,461,397</u>	<u>6,403,860</u>
Property and equipment, net	740,753	671,959
<b>Other assets:</b>		
Deposits and other assets	14,866	14,866
Note receivable	2,996,664	1,622,863
Customer relationships	1,918,019	2,340,335
Goodwill	4,805,933	4,805,933
Capitalized software costs, net	<u>-</u>	<u>73,082</u>
<b>Total other assets</b>	<u>9,735,482</u>	<u>8,857,079</u>
<b>Total assets</b>	<u>\$ 16,937,632</u>	<u>\$ 15,932,898</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 738,289	\$ 653,655
Accrued liabilities	1,801,355	1,096,982
Deferred revenue	1,840,811	1,777,326
Line of credit	1,200,000	1,200,000
Note payable	<u>226,900</u>	<u>551,421</u>
<b>Total current liabilities</b>	<u>5,807,355</u>	<u>5,279,384</u>
<b>Long-term liabilities:</b>		
Notes payable, less current portion	422,248	310,642
Other long-term liabilities	<u>88,948</u>	<u>101,500</u>
<b>Total liabilities</b>	<u>6,318,551</u>	<u>5,691,526</u>
Commitments and contingencies		
<b>Stockholders' equity:</b>		
Series B Convertible Preferred stock, \$0.01 par value, 30,000,000 shares authorized; 411,927 shares issued and outstanding at June 30, 2014 and 2013	4,119	4,119
Common stock, \$0.01 par value, 50,000,000 shares authorized; 16,928,025 and 16,128,530 issued and outstanding at June 30, 2014 and June 30, 2013, respectively	169,280	161,285
Additional paid-in capital	46,792,736	43,314,986
Accumulated deficit	<u>(36,347,054)</u>	<u>(33,239,018)</u>
<b>Total stockholders' equity</b>	<u>10,619,081</u>	<u>10,241,372</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 16,937,632</u>	<u>\$ 15,932,898</u>

See accompanying notes to condensed consolidated financial statements.

**PARK CITY GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**

	For the Years Ended June 30,	
	<u>2014</u>	<u>2013</u>
<b>Revenue:</b>		
Subscriptions	\$ 9,398,377	\$ 8,025,025
Other revenues	<u>2,530,039</u>	<u>3,293,549</u>
<b>Total revenue</b>	<u>11,928,416</u>	<u>11,318,574</u>
<b>Operating expenses:</b>		
Cost of revenue and product support	5,087,973	4,490,438
Sales and marketing	4,741,574	3,054,361
General and administrative	3,812,265	2,474,169
Depreciation and amortization	879,329	901,407
<b>Total operating expense</b>	<u>14,521,141</u>	<u>10,920,375</u>
<b>(Loss) income from operations</b>	(2,592,725)	398,199
<b>Other (expense) income:</b>		
Interest income (expense), net	<u>102,580</u>	<u>(140,712)</u>
<b>(Loss) income before income taxes</b>	<u>(2,490,145)</u>	<u>257,487</u>
<b>Provision for income taxes</b>	<u>-</u>	<u>-</u>
<b>Net (loss) income</b>	<u>(2,490,145)</u>	<u>257,487</u>
<b>Dividends on preferred stock</b>	<u>(617,891)</u>	<u>(911,580)</u>
<b>Net loss applicable to common shareholders</b>	<u>\$ (3,108,036)</u>	<u>\$ (654,093)</u>
<b>Weighted average shares, basic and diluted</b>	<u>16,710,000</u>	<u>13,246,000</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.19)</u>	<u>\$ (0.05)</u>

See accompanying notes to condensed consolidated financial statements.

**PARK CITY GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders' Equity (Deficit)**  
**For the Years Ended June 30, 2014 and 2013**

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, June 30, 2012	685,671	\$ 6,857	411,927	\$ 4,119	12,087,431	\$ 120,874	\$ 37,763,196	\$ (32,584,925)	\$ 5,310,121
Conversion of Preferred stock	(733,605)	(7,336)	-	-	2,445,371	24,454	(17,118)	-	-
Redemption of Preferred stock	(2,172)	(22)	-	-	-	-	(21,698)	-	(21,720)
Stock issued for:									
Accrued compensation	-	-	-	-	276,988	2,770	783,573	-	786,343
Cash	-	-	-	-	1,288,096	12,881	4,306,780	-	4,319,661
Dividends	50,106	501	-	-	-	-	500,559	-	501,060
Preferred Dividends- Declared	-	-	-	-	-	-	-	(911,580)	(911,580)
Exercise of Options/ Warrants	-	-	-	-	30,644	306	(306)	-	-
Net income	-	-	-	-	-	-	-	257,487	257,487
Balance June 30, 2013	-	-	411,927	4,119	16,128,530	161,285	43,314,986	(33,239,018)	10,241,372
Stock issued for:									
Accrued compensation	-	-	-	-	312,364	3,124	1,104,574	-	1,107,698
Cash	-	-	-	-	277,092	2,771	1,644,922	-	1,647,693
Charitable Contribution	-	-	-	-	15,000	150	96,750	-	96,900
Preferred Dividends- Declared	-	-	-	-	-	-	-	(617,891)	(617,891)
Exercise of Options/Warrants	-	-	-	-	195,039	1,950	631,504	-	633,454
Net loss	-	-	-	-	-	-	-	(2,490,145)	(2,490,145)
Balance, June 30, 2014	-	\$ -	411,927	\$ 4,119	16,928,025	\$ 169,280	\$46,792,736	\$(36,347,054)	\$10,619,081

See accompanying notes to condensed consolidated financial statements.

**PARK CITY GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**

	For the Years Ended June 30,	
	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Net (loss) income	\$ (2,490,145)	\$ 257,487
Adjustments to reconcile net (loss) income to net cash used in by operating activities:		
Depreciation and amortization	879,329	901,407
Bad debt expense	186,740	144,617
Stock compensation expense	1,719,375	843,645
Stock issued for charity	96,900	-
Decrease (increase) in:		
Trade receivables	(661,357)	(1,859,987)
Prepays and other assets	(20,747)	(226,552)
Increase (decrease) in:		
Accounts payable	84,634	102,809
Accrued liabilities	49,252	(8,357)
Deferred revenue	63,485	(304,133)
	<u>(92,534)</u>	<u>(149,064)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(459,230)	(445,744)
Cash advanced on Note Receivable	(1,200,000)	-
Cash from sale of property & equipment	6,505	-
	<u>(1,652,725)</u>	<u>(445,744)</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from issuance of stock	1,493,818	4,162,920
Proceeds from exercises of options and warrants	633,454	-
Proceeds from issuance of note payable	338,287	176,797
Proceeds from employee stock plans	153,875	156,741
Series A redemption	-	(21,720)
Dividends paid	(586,999)	(503,311)
Payments on notes payable and capital leases	(551,202)	(866,210)
	<u>1,481,233</u>	<u>3,105,217</u>
Net (decrease) increase in cash and cash equivalents	(264,026)	2,510,409
Cash and cash equivalents at beginning of period	<u>3,616,585</u>	<u>1,106,176</u>
Cash and cash equivalents at end of period	<u>\$ 3,352,559</u>	<u>\$ 3,616,585</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for income taxes	<u>\$ 6,634</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 75,343</u>	<u>\$ 142,491</u>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Common Stock to pay accrued liabilities	<u>\$ 1,107,698</u>	<u>\$ 786,343</u>
Dividends accrued on preferred stock	<u>\$ 617,891</u>	<u>\$ 911,580</u>
Dividends paid with preferred stock	<u>\$ -</u>	<u>\$ 501,060</u>
Conversion of accounts receivable into notes receivable	<u>\$ -</u>	<u>\$ 1,622,863</u>

See accompanying notes to condensed consolidated financial statements.

**PARK CITY GROUP, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2014 and June 30, 2013**

**NOTE 1. DESCRIPTION OF BUSINESS**

**Summary of Business**

The Company is incorporated in the state of Nevada. The Company has two subsidiaries, PC Group, Inc. (formerly, Park City Group, Inc., a Delaware corporation), a Utah Corporation (98.76% owned), and Park City Group, Inc., (formerly, Prescient Applied Intelligence, Inc.), a wholly owned Delaware Corporation. 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**

*ResposiTrak Agreement*

Effective June 30, 2013, the Company, ReposiTrak, and Leavitt entered into the Omnibus Agreement, wherein 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. During the year ended June 30, 2014, the Company received \$2,330,700 in subscription and management fees pursuant to the Omnibus Agreement.

*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".

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of Consolidation**

The financial statements presented herein reflect the consolidated financial position of Park City Group, Inc. and subsidiaries, including Prescient. All inter-company transactions and balances have been eliminated in consolidation.

### **Use of Estimates**

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 condensed 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 Securities and Exchange Commission 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.

### **Cash and Cash Equivalents**

The Company considers all short-term instruments with an original maturity of three months or less to be cash equivalents.

### **Concentration of Credit Risk and Significant Customers**

The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which when realized have been within the range of management's expectations. The Company does not require collateral from its customers.

The Company's accounts receivable are derived from sales of products and services primarily to customers operating multi-location retail and grocery stores. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

During the years ended June 30, 2014 and 2013, the Company had one customer that accounted for 20% of total revenue.

### **Receivables**

Trade account and notes receivable are stated at the amount the Company expects to collect. Receivables are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, allowances may be required. Interest income on current notes receivable is recognized on an accrual basis at a stated interest rate of 8%.

### **Allowance for Doubtful Accounts Receivable**

The Company offers credit terms on the sale of the Company's products to a significant majority of the Company's customers and requires no collateral from these customers. The Company performs ongoing credit evaluations of customers' financial condition and maintains an allowance for doubtful accounts receivable based upon the Company's historical experience and a specific review of accounts receivable at the end of each period. As of June 30, 2014 and 2013, the allowance for doubtful accounts was \$70,000 and \$190,000, respectively.

## Depreciation and Amortization

Depreciation and amortization of property and equipment is computed using the straight line method based on the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	5-7
Computer Equipment	3
Equipment under capital leases	3
Leasehold improvements	See below

Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the improvements.

Amortization of intangible assets are computed using the straight line method based on the following estimated useful lives:

	<u>Years</u>
Customer relationships	10
Acquired developed software	5
Developed software	3
Goodwill	See below

Goodwill and intangible assets deemed to have indefinite lives are subject to annual impairment tests. Other intangible assets are amortized over their useful lives.

## Warranties

The Company offers a limited warranty against software defects. Customers who are not completely satisfied with their software purchase may attempt to be reimbursed for their purchases outside the warranty period. For the years ending June 30, 2014 and 2013, the Company did not incur any expense associated with warranty claims.

## 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 revenue 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.



Premium support and maintenance service revenue is derived from services beyond the basic services provided in standard arrangements. We recognize 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 these services are paid in advance, deferred revenue is recognized and revenue is recorded 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: (i) the services have value to the customer on a stand-alone basis, (ii) objective and reliable evidence of fair value exists for these services and (iii) performance of the services is considered probable and does not involve unique customer acceptance criteria.

The Company's revenue, to a lesser extent, is earned under license arrangements. 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.

### **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.

During 2014 and 2013 capitalized development costs of \$73,082 and \$146,166, respectively, were amortized into expense. The Company amortizes its developed and purchased software on a straight-line basis over three and five years, respectively.

### **Research and Development Costs**

Research and development costs include personnel costs, engineering, consulting, and contract labor and are expensed as incurred for software that has not achieved technological feasibility.

### **Advertising Costs**

Advertising is expensed as incurred. Advertising expense was \$14,389 and \$19,525 for the years ended June 30, 2014 and 2013, respectively.

### **Income Taxes**

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

### **Earnings Per 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 year ended June 30, 2014 and 2013 warrants to purchase 317,373 and 436,110 shares of common stock, respectively, were not included in the computation of diluted EPS due to the anti-dilutive effect. Warrants to purchase shares of common stock were outstanding at prices ranging from \$3.50 to \$6.45 per share at June 30, 2014.

For the year ended June 30, 2014, 1,029,818 shares of common stock issuable upon conversion of the Company's Series B Convertible Preferred Stock ("*Series B Preferred*"), and, for the year ended June 30, 2013, 1,029,818 shares of common stock issuable upon conversion of the Company's Series B Preferred were not included in the diluted EPS calculation as the effect would have been anti-dilutive.

	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
Dilutive effect of options and warrants	-	-
Weighted average shares outstanding assuming dilution	16,710,000	13,246,000

### 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.

The following table summarizes information about fixed stock warrants outstanding at June 30, 2014:

Range of exercise prices	Warrants Outstanding at June 30, 2014			Warrants Exercisable at June 30, 2014		
	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price	
\$ 3.50-3.60	240,629	3.71	\$ 3.56	240,629	\$ 3.56	
\$ 6.45	76,744	4.16	\$ 6.45	76,744	\$ 6.45	
	<u>317,373</u>	3.82	\$ 4.26	<u>317,373</u>	\$ 4.26	

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash, cash equivalents, receivables, payables, accruals and notes payable. The carrying amount of cash, cash equivalents, receivables, payables and accruals approximates fair value due to the short-term nature of these items. The notes payable also approximate fair value based on evaluations of market interest rates.

### Reclassifications

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

**NOTE 3. LIQUIDITY AND WORKING CAPITAL**

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

At June 30, 2014, the Company had positive working capital of \$654,042, as compared with positive working capital of \$1,124,476 at June 30, 2013. This \$470,434 decrease in working capital is principally due to the use of cash during the year ended June 30, 2014 caused principally by the increase in net loss during the period. While no assurances can be given, management currently believes that the Company will increase its working capital position in future periods as a result of the projected increase in subscription revenue, among other factors, as well as 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- 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.

**NOTE 4. RECEIVABLES**

Accounts receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 2,927,983	\$ 2,573,366
Allowance for doubtful accounts	(70,000)	(190,000)
	<u>\$ 2,857,983</u>	<u>\$ 2,383,366</u>

Accounts receivable consist of trade accounts receivable and unbilled amounts recognized as revenue during the year for which invoices were sent subsequent to year-end. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost and consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 2,899,867	\$ 2,444,129
Furniture and fixtures	260,574	321,281
Leasehold improvements	<u>231,782</u>	<u>231,782</u>
	3,392,223	2,997,192
Less accumulated depreciation and amortization	<u>(2,651,470)</u>	<u>(2,325,233)</u>
	<u>\$ 740,753</u>	<u>\$ 671,959</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$383,930 and \$332,925, respectively.

**NOTE 6. CAPITALIZED SOFTWARE COSTS**

Capitalized software costs consist of the following at June 30:

	2014	2013
Capitalized software costs	\$ 2,443,128	\$ 2,443,128
Less accumulated amortization	(2,443,128)	(2,370,046)
	<u>\$ -</u>	<u>\$ 73,082</u>

Amortization expense for the years ended June 30, 2014 and 2013 was \$73,082 and \$146,166, respectively.

**NOTE 7. CUSTOMER RELATIONSHIPS**

Customer relationships consist of the following at June 30:

	2014	2013
Customer relationships	\$ 4,223,161	\$ 4,223,161
Less accumulated amortization	(2,305,142)	(1,882,826)
	<u>\$ 1,918,019</u>	<u>\$ 2,340,335</u>

Amortization expense for the years ended June 30, 2014 and 2013 was \$422,316 and \$422,316, respectively.

Estimated aggregate amortization expense is as follows:

**Year ending June 30:**

2015	\$ 422,316
2016	\$ 422,316
2017	\$ 422,316
2018	\$ 422,316
2019	\$ 228,755
Thereafter	\$ -

**NOTE 8. ACCRUED LIABILITIES**

Accrued liabilities consist of the following at June 30, 2014 and 2013:

	2014	2013
Accrued stock-based compensation	\$ 1,122,188	\$ 497,012
Accrued compensation	352,764	295,377
Accrued other liabilities	171,930	176,892
Accrued dividends	154,473	123,578
Accrued interest	-	4,123
	<u>\$ 1,801,355</u>	<u>\$ 1,096,982</u>

**NOTE 9. NOTES PAYABLE**

The Company had the following notes payable obligations at June 30, 2014 and 2013:

<b>Notes Payable:</b>	2014	2013
Note payable to a bank, due in monthly installments of \$40,104 with an annual interest rate of 4.25%. This note was retired September 1, 2013.	\$ -	\$ 119,567
Note payable to a bank, due in monthly installments of \$10,355 bearing interest at 3.95% due July 15, 2014. This note has been retired subsequent to June 30, 2014.	10,490	131,643
Note payable to a bank, due in monthly installments of \$9,359 bearing interest at 4.9% due September 15, 2014	29,508	137,380
Note payable to a bank, due in monthly installments of \$10,286 bearing interest at 4.39% due September 20, 2014, this note is a conversion of a multi-advance note payable initially put in place on September 21, 2010, secured by related capital equipment purchases.	31,570	150,655
Note payable to a bank, due in monthly installments of \$7,860 bearing interest at 3.73% due February 9, 2017, this note is a conversion of a multi-advance note payable initially put in place on February 19, 2012, secured by related capital equipment purchases.	239,293	322,818
Note payable to a bank, due in monthly installments of \$7,860 bearing interest at 4.17% due July 15, 2014, this note is a conversion of a multi-advance note payable initially put in place on August 26, 2013, secured by related capital equipment purchases.	338,287	-
	649,148	862,063
Less current portion notes payable	(226,900)	(551,421)
	\$ 422,248	\$ 310,642

Maturities of notes payable and capital leases at June 30, 2014 are as follows:

**Year ending June 30:**

2015	\$ 226,900
2016	\$ 174,095
2017	\$ 150,047
2018	\$ 91,385
2019	\$ 6,721

**NOTE 10. LINES OF CREDIT**

The Company's line of credit with a bank has an annual interest rate of 3.5% + LIBOR. The line of credit is scheduled to mature on December 31, 2014. The balance on the line of credit was \$1,200,000 at June 30, 2014 and June 30, 2013, respectively.

**NOTE 11. DEFERRED REVENUE**

Deferred revenue consisted of the following at June 30:

	2014	2013
Subscription	\$ 855,462	725,852
Maintenance and support	886,518	946,759
Consulting and other	98,831	104,715
	<u>\$ 1,840,811</u>	<u>\$ 1,777,326</u>

**NOTE 12. INCOME TAXES**

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax liabilities consist of the following components at June 30:

	2014	2013
Deferred tax assets:		
NOL Carryover	\$ 45,484,720	\$ 44,760,272
Depreciation	-	-
Amortization	-	-
Allowance for Bad Debts	27,300	74,100
Accrued Expenses	455,041	199,977
Deferred Revenue	283,900	396,086
Deferred tax liabilities:		
Depreciation	(120,626)	(97,517)
Amortization	(392,137)	(348,847)
Valuation allowance	(45,738,198)	(44,984,071)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The income tax provision differs from the amounts of income tax determined by applying the US federal income tax rate to pretax income from continuing operations for the years ended June 30, 2014 and 2013 due to the following:

	2014	2013
Book Income	\$ (971,157)	\$ 100,420
Stock for Services	(21,650)	149,651
Life Insurance	30,390	27,098
Meals & Entertainment	12,793	10,277
Change in deferred revenue	(112,186)	36,064
Change in accrual and Allowance	208,264	(37,153)
Change in depreciation	(52,340)	(99,084)
NOL utilization	-	(187,273)
Valuation allowance	905,886	-
	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2014, the Company had net operating loss carry-forwards of approximately \$116,627,500 that may be offset against past and future taxable income from the year 2011 through 2032. No tax benefit has been reported in the June 30, 2014 condensed consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. In January 2009 the Company acquired Prescient Applied Intelligence, Inc., which had significant net operating loss carry-forwards. Due to change in ownership, Prescient's net operating loss carryforwards may be limited as to use in future years. The limitation will be determined on a year-to-year basis.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, the Company measures the tax position to determine the amount to recognize in the financial statements. The Company performed a review of its material tax positions in accordance with these recognition and measurement standards.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are not material amounts of unrecognized tax benefits.

The Company includes interest and penalties arising from the underpayment of income taxes in the condensed consolidated statements of operations in the provision for income taxes. As of June 30, 2014, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. 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 June 30, 2007.

#### **NOTE 13. COMMITMENTS AND CONTINGENCIES**

##### **Operating Leases**

In September, 2012, the Company entered into an office lease at 299 So. Main Street, Suite 2370, Salt Lake City, Utah, 84111, providing for the lease of approximately 5,300 square feet for a period of seven years, commencing on November 1, 2012. The monthly rent is \$12,367.

Minimum future rental payments under the non-cancelable operating leases are as follows:

Year ending June 30:	
2015	\$ 155,542
2016	\$ 160,215
2017	\$ 165,024
2018	\$ 169,993
2019	\$ 73,847

From time to time the Company may enter into or exit from diminutive operating lease agreements for equipment such as copiers, temporary back up servers, etc. These leases are not of a material amount and thus will not in the aggregate have a material adverse effect on our business, financial condition, results of operation or liquidity.

**NOTE 14. EMPLOYEE BENEFIT PLAN**

The Company offers an employee benefit plan under Benefit Plan Section 401(k) of the Internal Revenue Code. Employees who have attained the age of 18 are eligible to participate. The Company, at its discretion, may match employee's contributions at a percentage determined annually by the board of directors. The Company does not currently match contributions. There were no expenses for the years ended June 30, 2014 and 2013.

**NOTE 15. STOCK COMPENSATION PLAN****Officers and Directors Stock Compensation**

Effective November 2008, the Board of Directors approved the following compensation for directors who are not employed by the Company:

- Annual cash compensation of \$10,000 payable at the rate of \$2,500 per quarter. The Company has the right to pay this amount in the form of shares of the Company's common stock.
- Upon appointment, outside independent directors receive a grant of \$150,000 payable in shares of the Company's restricted Common Stock calculated based on the market value of the shares of Common Stock on the date of grant. The shares vest ratably over a five-year period.
- Reimbursement of all travel expenses related to performance of Directors' duties on behalf of the Company.

**Officers, Key Employees, Consultants and Directors Stock Compensation.**

In January 2013, the Board of Directors approved the Second Amended and Restated the 2011 Stock Plan (the "Amended 2011 Plan"), which Amended 2011 Plan was approved by shareholders on March 29, 2013. Under the terms of the Amended 2011 Plan, officers, key employees, consultants and directors of the Company are eligible to participate. The maximum aggregate number of shares of common stock that may be granted under the 2011 Plan was increased from 250,000 shares to 500,000 shares. A Committee of independent members of the Company's Board of Directors administers the 2011 Plan. The exercise price for each share of common stock purchasable under any incentive stock option granted under the 2011 Plan shall be not less than 100% of the fair market value of the common stock, as determined by the stock exchange on which the common stock trades on the date of grant. If the incentive stock option is granted to a shareholder who possesses more than 10% of the Company's voting power, then the exercise price shall be not less than 110% of the fair market value on the date of grant. Each option shall be exercisable in whole or in installments as determined by the Committee at the time of the grant of such options. All incentive stock options expire after 10 years. If the incentive stock option is held by a shareholder who possesses more than 10% of the Company's voting power, then the incentive stock option expires after five years. If the option holder is terminated, then the incentive stock options granted to such holder expire no later than three months after the date of termination. For option holders granted incentive stock options exercisable for the first time during any fiscal year and in excess of \$100,000 (determined by the fair market value of the shares of common stock as of the grant date), the excess shares of common stock shall not be deemed to be purchased pursuant to incentive stock options.

A schedule of the options and warrants activity for the years ended June 30, 2014 and 2013 is as follows:

	Number of Options	Number of Warrants	Price per share
Outstanding at June 30, 2012	12,880	50,000	\$ 1.50-1.80
Granted	-	424,763	\$ 3.50-3.60
Exercised	-	(30,644)	\$ 1.80
Cancelled	(580)	(19,356)	\$ 1.80-2.50
Expired	-	-	\$ -
Outstanding at June 30, 2013	12,300	424,763	\$ 1.50-3.60
Granted	-	76,744	\$ 6.45
Exercised	(12,300)	(184,134)	\$ 1.50-3.60
Cancelled	-	-	\$ -
Expired	-	-	\$ -
Outstanding at June 30, 2014	-	317,373	\$ 3.50-6.45



## **NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This Update clarifies the accounting for equity awards in which the performance target (i.e an initial public offering) could be achieved after the requisite service period. The guidance require a performance target that affects vesting and that could be achieved after the service period be treated as a performance condition and not be reflected in the fair value of the award. Therefore, the compensation costs will begin to be recognized when it becomes probable that the performance target will be achieved. If the requisite service period is complete, the entire amount of compensation costs should be recognized at that time. This Update is effective for reporting periods beginning after December 15, 2015. The Company currently does not have any stock-based awards meeting the criteria noted so the Company doesn't expect this Update to have a significant impact on its financials. However, it will evaluate new grants and ensure the guidance is followed if these types of grants are made.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customer (Topic 606). This Update provides new revenue recognition guidance that will be applicable for all industries and develops a common revenue standard for GAAP and IFRS. The main purpose of the new guidance is to remove inconsistencies, provide a more robust framework, improve comparability among industries, improve disclosure requirements and reduce the number of requirements to which an entity must refer. The guidance outlines the following five steps that should be followed in recognizing revenue:

1. Identify contract with customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when the performance obligation is satisfied.

The update also provides disclosure requirements requiring entities to provide sufficient information to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This Update is effective for public entities for reporting periods beginning after December 15, 2016 and for all other entities, it is effective for periods beginning after December 15, 2017. Due to the extensive nature of this Update, the Company is evaluating the impact this new guidance will have on its financials.

## **NOTE 17. RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2014, the Company was a party to a Service Agreement with Fields Management, Inc. (“*FMI*”), pursuant to which FMI provided certain executive management services to the Company, including designating Mr. Randall K. Fields to perform the functions of President and Chief Executive Officer for the Company. Randall K. Fields, FMI's designated Executive, who also serves as the Company's Chairman of the Board of Directors, controls FMI. A copy of the Service Agreement is attached hereto as Exhibit 10.9.

The Company did not have any other related party transactions as of June 30, 2014.

## **NOTE 18. SUBSEQUENT EVENTS**

In accordance with the Subsequent Events Topic of the FASB ASC 855, we have evaluated subsequent events, and noted no subsequent events that are reasonably likely to impact the financial statements.

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“**Agreement**”) is entered into by and between Park City Group, Inc., a Nevada corporation (the “**Company**”) and Randall K. Fields (“**Employee**”), as of the 1<sup>st</sup> day of July, 2013.

### Recitals:

- A. Employee is employed by and provides sales and management services to the Company.
- B. This Agreement is made to protect the Company’s legitimate and legally protectible property and business interests.
- C. This Agreement is entered into as a term and condition of Employee’s continued employment with the Company.
- D. Employee’s recent contract expired June 30, 2013 and due to the performance of Employee, particularly in his ability to perform multiple functions and due to the fact that there have been only minor changes in his amount of compensation, the parties now desire to enter into a new contract and make adjustments to the salary paid to more accurately compensate for the work being performed.

### Agreements:

Now, Therefore, in consideration of the mutual covenants and promises contained in, and the mutual benefits to be derived from this Agreement, and for other good and valuable consideration, the Company and Employee agree as follows:

#### 1. **Employment.**

The Company hereby employs Employee, and Employee hereby accepts such employment, on the terms and conditions of this Agreement.

#### 2. **Term of the Employment.**

The employment of Employee by the Company will continue pursuant to the terms of this Agreement effective as of July 1, 2013 and end on the 30<sup>th</sup> day of June, 2018 (the “**Initial Term**”), unless sooner terminated pursuant to the terms hereof or extended at the sole discretion of the Company’s Board of Directors. The Initial Term and any subsequent terms will automatically renew for additional one year periods unless, six months prior to the expiration of the then current term, either party gives notice to the other that the Agreement will not renew for an additional term. In the event of such written notice being timely provided by the Company, Employee shall not be required to perform any responsibilities or duties to the Company during the final two months of the then-existing term. In such event, the Company will remain obligated to Employee for all compensation and other benefits set forth herein and in any written modifications hereto.

3. **Duties.**

(a) General Duties. Employee shall be employed as the Sales Department Manager of the Company, and shall have such duties, responsibilities and obligations as are established by the Bylaws of the Company or are generally required of persons employed in similar positions.

(b) Performance. To the best of his ability and experience, Employee will at all times loyally and conscientiously perform all duties, and discharge all responsibilities and obligations, required of and from him pursuant to the express and implicit terms hereof, and to the reasonable satisfaction of the Company. Employee shall devote as much of his time, energy, skill and attention to the business of the Company, and the Company shall be entitled to all of the benefits and profits arising from or incident to all such work, services, and advice of Employee rendered to the Company.

(c) Company Directorship. Employee shall be elected to the position of director and shall serve on the Company's Board of Directors during his term of employment as Chairman.

(d) Other Directorships and Businesses. During the term of his Employment, Employee may serve on the boards of directors or on advisory boards of other companies or engage in other business relationships, so long as such service does not interfere or conflict with the performance of Employee's duties hereunder, and provided further that Employee will not serve on the boards of directors or on advisory boards of companies which are direct competitors of the Company.

(e) Outside Activities. Nothing in this Agreement shall prohibit Employee from directing his personal investments or accepting speaking or presentation engagements in exchange for honoraria, or from rendering services to, or serving on boards of, charitable organizations, so long as such activities do not interfere or conflict with the performance of Employee's duties hereunder.

4. **Compensation and Benefits.**

(a) Salary. The Company shall pay to Employee an annual base salary of \$50,000 (" **Annual Base Salary** "). The Annual Base Salary, which shall be pro-rated for any partial employment period, will be payable in equal bi-weekly installments or at such other intervals as may be established for the Company's customary payroll schedule, less all applicable federal, state and local income and employment tax withholdings required by law. The Annual Base Salary shall be subject to a percentage annual increase equal to 75% of the percentage annual Revenue growth of the Company as reported in its annual 10-K report filed with the SEC. Such increase shall be effective with the first payroll period following the filing of the 10-K beginning with the filing for the 2014 fiscal year.

(b) Other Benefits. The Company acknowledges that the Employee conducts a considerable amount of business activities from Employee's personal residence. Accordingly, the Company shall pay the costs of maintaining telephone lines and systems for business use, along with related costs, at the Employee's residence. In addition, the Company shall also provide the Employee with computers and other business equipment Employee deems necessary for the Employee to conduct necessary business activities from Employee's personal residence

The Company also acknowledges that the Employee's secretary performs limited personal accounting and other related services for the Employee . The Company hereby authorizes such activities so long as they do not interfere with Employee's secretary's services to the Company. Should Employee retain someone else to perform personal accounting and tax services, the Company shall bear the cost of such services.

(c) Benefit and Stock Option Plans . Employee shall be entitled to participate, to the extent of Employee's eligibility, in any employee benefit and stock option plans made available by the Company to its employees during the term of this Agreement. In addition, at no cost to Employee, Company will provide Employee, and his immediate family members , coverage under a health and dental insurance plan during the term of Employee's employment and any applicable COBRA coverage period.

(d) Vacations, Holidays, etc. Employee shall have four (4) weeks paid vacation and twelve (12) days sick leave during each year he is employed. Vacation days will accrue from year to year if not taken.

(e) Indemnification; D&O Insurance . The Company shall indemnify the Employee to the fullest extent of that which is available under Chapter 78 of the Nevada Revised Statutes, and shall provide director's and officer's insurance with such coverages, in such amounts and from such insurers as constitutes good practices by comparable companies in the same business as the Company. Such insurance shall provide defense and coverage obligations for any claim arising out of Employee's acts or omissions committed during the Initial Term or any subsequent term hereof, regardless of when such claims are asserted.

(f) Incentive Bonus . The Board of Directors of the Company will annually review the Company's results and discuss what the amount, if any, of a discretionary bonus to be awarded to Employee should be.

(g) Travel and Business Expense Reimbursement . The Company shall promptly reimburse Employee for all of his reasonable business expenses.

#### 5. **Proprietary Information.**

(a) Obligation . Employee shall not disclose, publish, disseminate, reproduce, summarize, distribute, make available or use any Proprietary Information, except in pursuance of Employee's duties, responsibilities and obligations under this Agreement and for the benefit of the Company.

(b) Definition . As used in this Agreement, " *Proprietary Information* " means information that is (i) designated as "confidential," "proprietary" or both by the Company or should have been known to be "confidential" or "proprietary" to the Company from the nature of the information or the circumstances of its disclosure, and (ii) has economic value or affords commercial advantage to the Company because it is not generally known or readily ascertainable by proper means by other persons. By way of illustration, Proprietary Information includes but is not limited to information relating to the Company's products, services, business operations, business plans and financial affairs, and customers; any application, utility, algorithm, formula, pattern, compilation, program, device, method, technique, process, idea, concept, know-how, flow chart, drawing, standard, specification, or invention; and any tangible embodiment of Proprietary Information that may be provided to or generated by Employee.

(c) Return upon Termination. Upon the termination of this Agreement for any reason, and at any time prior thereto upon request by the Company, Employee shall return to the Company all tangible embodiments of any Proprietary Information in Employee's possession, including but not limited to, originals, copies, reproductions, notes, memoranda, abstracts, and summaries.

(d) Ownership. Any Proprietary Information developed or conceived by Employee during the term of this Agreement shall be and remain the sole property of the Company. Employee agrees promptly to communicate and disclose all such Proprietary Information to the Company and to execute and deliver to the Company any instruments deemed necessary by the Company to perfect the Company's rights in such Proprietary Information.

## 6. **Termination of Employment.**

(a) Additional Definitions. For purposes of this Agreement, the following terms shall have the meanings assigned below:

(i) "Cause" means (A) conviction of a crime involving moral turpitude, or (B) a determination by the Board of Directors of the Company in good faith that Employee [1] has failed to substantially perform his duties in his then current position, [2] has engaged in grossly negligent, dishonest or unethical activity, or [3] has breached a fiduciary duty or a covenant hereunder, including without limitation the unauthorized disclosure of Company trade secrets or confidential information, resulting in material loss or damage to the Company.

(ii) "Change in Control of the Company" means a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "**Exchange Act**"), if the Company were subject to such reporting requirements; provided that, without limitation, such a change in control shall be deemed to have occurred if any "person" (as such term is used in paragraph 13(d) and 14(d) of the Exchange Act) who on the date hereof is not a director or officer of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities.

(iii) "Determination Date" means (A) if Employee's employment is terminated by his death, the date of his death, (B) if Employee's employment is terminated by reason of Disability, thirty (30) days after Notice of Termination is given, provided that Employee shall not have returned to the performance of his duties during such thirty (30) day period, (C) if Employee's employment is terminated by reason of a Change in Control of the Company, the date specified in the Notice of Termination, (D) if Employee's employment is terminated for Cause by reason of conviction of a crime involving moral turpitude, the date on which a Notice of Termination is given, or (E) if Employee's employment is terminated for Cause for a reason other than specified in (D), thirty (30) days after Notice of Termination is given, provided that Employee shall not have cured the reason for such Cause during such thirty (30) day period.

(iv) “Disability” means (A) Employee’s inability, by reason of physical or mental illness or other cause, to perform Employee’s duties hereunder on a full-time basis for a period of twenty-six (26) consecutive weeks, or (B) in the discretion of the Board of Directors, as such term is defined in any disability insurance policy in effect at the Company during the time in question.

(v) “Good Reason” means a failure by the Company to comply with any material provision of this Agreement which has not been cured within ten (10) days after notice of such noncompliance has been given by Employee to the Company.

(vi) “Notice of Termination” means a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any termination of Employee’s employment by the Company or by Employee (other than termination pursuant to subsection 6(b) hereof) shall be communicated by written Notice of Termination to the other party hereto.

(b) Termination on Employee’s Death. Employee’s employment hereunder shall terminate upon Employee’s death. Upon such termination, Employee’s representative or estate shall be entitled to receive only the compensation, benefits and reimbursement earned or accrued by Employee under the terms of his employment prior to the Determination Date, but shall not be entitled to any further compensation, benefits, or reimbursement subsequent to such date.

(c) Termination By The Company for Employee’s Disability. Employee’s employment hereunder may be terminated without breach of this Agreement upon Employee’s Disability, upon written Notice of Termination from the Company to Employee and Employee’s failure to return to the performance of his duties as provided in Section 6(a)(iii)(B) hereof. Employee shall receive full compensation, benefits, and reimbursement of expenses pursuant to the terms of his employment from the date Disability begins until the Determination Date specified in the Notice of Termination given under this section, or until Employee begins to receive disability benefits pursuant to a Company disability insurance policy, whichever occurs first.

(d) Termination By The Company For Cause. Employee’s employment hereunder may be terminated without breach of this Agreement for Cause, upon written Notice of Termination from the Company to Employee and Employee’s failure to cure such Cause as provided in Section 6(a)(iii)(E) hereof. If Employee’s employment is terminated for Cause, the Company shall pay Employee his full Annual Base Salary accrued through the Determination Date, and the Company shall have no further obligation to Employee under this Agreement for other compensation or benefits accrued but unpaid prior to the Determination Date.

(e) Termination On Change of Control of the Company. Employee's employment hereunder may be terminated without breach of this Agreement at any time within twelve months following a Change in Control of the Company at the election of the Employee. If the Employee's employment pursuant to this Section 6(e) is terminated, Employee shall be entitled to receive the compensation, benefits and reimbursement earned or accrued by Employee under the terms of his employment prior to the Determination Date, including any incentive bonus. In addition, Employee shall receive as a severance payment the balance of Employee's compensation through the end of the then current term of this Agreement. Also, upon Employees termination in connection with this Section 6(e), Employee shall be entitled to an annual bonus for the remaining period of this contract equal to the bonus due to Employee for the immediately preceding fiscal year. Employee's employment hereunder may not be terminated by the Company following a Change in Control of the Company without it being a breach of this Agreement.

(f) Termination by Employee. Employee may terminate his employment hereunder for Good Reason or if his health should become impaired to an extent that makes his continued performance of his duties hereunder hazardous to his physical or mental health or his life, *provided that* Employee shall have furnished the Company with a written statement from a qualified doctor to such effect and, *provided further*, that, at the Company's request, Employee shall submit to an examination by a doctor selected by the Company and such doctor shall have concurred in the conclusion of Employee's doctor. If Employee shall terminate his employment pursuant to this Section 6(f), Employee shall be entitled to receive the following:

(i) the compensation, benefits and reimbursement earned or accrued by Employee under the terms of his employment prior to the Determination Date, including any incentive bonus,

(ii) if Employee shall terminate his employment for Good Reason consisting of the Company's material breach of this Agreement, severance, including bonuses, as defined in Section 6 (e) shall be due and payable to Employee.

#### 7. **Miscellaneous.**

(a) Severability. If any provision of this Agreement is found to be unenforceable by a court of competent jurisdiction, the remaining provisions shall nevertheless remain in full force and effect.

(b) Notices. Any notice required or permitted hereunder to be given by either party shall be in writing and shall be delivered personally or sent by certified or registered mail, postage prepaid, or by private courier, or by facsimile or telegram to the party to the address the party may designate from time to time. A notice delivered personally shall be effective upon receipt. A notice sent by facsimile or telegram shall be effective 24 hours after the dispatch thereof. A notice delivered by mail or by private courier shall be effective on the 3rd day after the day of mailing. A copy of notices given hereunder will be delivered or sent to the following persons and addresses (or such other address as designated from time to time):

(c) Attorney's Fees. In the event of any action at law or equity to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and court costs in addition to any other relief to which such party may be entitled.

(d) Governing Law. This Agreement shall be interpreted, construed, governed and enforced according to the laws of the State of Utah. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain in full force and effect.

(e) Successors and Assigns. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. This Agreement is for the unique personal services of Employee, and Employee shall not be entitled to assign any of his rights or obligations hereunder.

(f) Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the employment of Employee. This Agreement can be amended or modified only in a writing signed by Employee and an authorized representative of the Company.

(g) Signature by Facsimile and Counterpart. This Agreement may be executed in counterpart, and facsimile signatures are acceptable and binding on the parties hereto.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and signed as of the day and year first above written.

**“Company”**

**“Employee”**

**PARK CITY GROUP, INC.** , a Nevada corporation

By: /s/ Edward L. Clissold

/s/ Randall K. Fields

Name: Edward L. Clissold

Name: Randall K. Fields

Title: Chief Financial Officer

## SERVICES AGREEMENT

THIS SERVICES AGREEMENT (“**Agreement**”) is entered into by and between Park City Group, Inc., a Nevada corporation (the “**Company**”) and Fields Management, Inc., a Utah Corporation (“**Fields**”), as of the 1<sup>st</sup> day of July 2013.

### Recitals:

- A. Fields is a corporation in the business of providing executive management services, including performing the functions of President and Chief Executive Officer for the Company.
- B. This Agreement is made to protect the Company’s legitimate and legally protectible property and business interests.
- C. This Agreement is entered into in order to define the terms and conditions of Fields’ relationship with the Company.
- D. The current Services Agreement between the parties dated April 9, 2009 expired on June 30, 2013 and due to the performance of the Executive, particularly in his ability to perform multiple functions and due to the fact that there have been only minor changes in the amount of fees charged by Fields, the parties now desire to continue their business relationship and make adjustments to the fees paid to more accurately compensate for the work being performed.

### Agreements:

**NOW, THEREFORE**, in consideration of the mutual covenants and promises contained in, and the mutual benefits to be derived from this Agreement, and for other good and valuable consideration, the Company and Fields agree as follows:

1. **Independent Contractor.**

The Company hereby retains Fields, and Fields hereby accepts such retainer, on the terms and conditions of this Agreement. It is understood and agreed that Fields and its employees or other individuals it uses to perform the services set forth herein for the Company, are independent contractors and not employees of the Company.

2. **Term of the Services.**

This Agreement shall be effective as of July 1, 2013 (the “Effective Date”) and continue pursuant to the terms hereof until the 30<sup>th</sup> day of June 2018 (the “**Initial Term**”), unless sooner terminated pursuant to the terms hereof or extended at the sole discretion of the Company’s Board of Directors. The Initial Term and any subsequent terms will automatically renew for additional one year periods unless, six months prior to the expiration of the then current term, either party gives notice to the other that the Agreement will not renew for an additional term. In the event of such written notice being timely provided by the Company, Fields shall not be required to perform any responsibilities or duties to the Company during the final two months of the then-existing term. In such event, the Company will remain obligated to Fields for all compensation and other benefits set forth herein and in any written modifications hereto.

3. **Duties.**

(a) General Duties. Fields shall provide to the Company an individual (the “Executive”) to fill the role and perform the functions of Chairman, President and Chief Executive Officer of the Company, and shall have such duties, responsibilities and obligations as are established by the Bylaws of the Company or are generally required of persons employed in similar positions. This shall include full executive powers of these positions over all operating and financial officers, the authority to hire and fire officers and employees, and to authorize expenditures of money for corporate purposes, subject to the right of the Board of Directors to impose reasonable restrictions and requirements.

(b) Performance. To the best of his ability and experience, the Executive will at all times loyally and conscientiously perform all duties, and discharge all responsibilities and obligations, required of and from him pursuant to the express and implicit terms hereof, and to the reasonable satisfaction of the Company. The Executive shall devote as much of his time, energy, skill and attention as is required to the business of the Company, and the Company shall be entitled to all of the benefits and profits arising from or incident to all such work, services, and advice of Executive rendered to the Company.

(c) Outside Activities. Nothing in this Agreement shall prohibit Executive from directing his personal investments or accepting speaking or presentation engagements in exchange for honoraria, or from rendering services to, or serving on boards of, charitable organizations, so long as such activities do not interfere or conflict with the performance of Fields’ duties hereunder.

(d) Additional Services. Fields may be asked from time to time by the Company to provide other services which Fields can provide using other of its employees in addition to the Executive. Compensation to Fields for such additional services shall be agreed upon at the time of the request.

4. **Compensation and Benefits.**

(a) Fee. The Company shall pay to Fields an annual base fee of \$500,000 (“**Annual Base Fee**”). The Annual Base Fee, which shall be pro-rated for any partial period, will be payable in equal semi-monthly installments. The Annual Base Fee shall be subject to a percentage annual increase equal to 75% of the percentage annual Revenue growth of the Company as reported in its annual 10-K report filed with the SEC. Such increase shall be effective with the first payroll period following the filing of the 10-K beginning with the filing for the 2014 fiscal year.

(b) Indemnification; D&O Insurance. The Company shall indemnify Fields to the fullest extent of that which is available under Chapter 78 of the Nevada Revised Statutes, and shall provide director’s and officer’s insurance with such coverages, in such amounts and from such insurers as constitutes good practices by comparable companies in the same business as the Company. Such insurance shall provide defense and coverage obligations for any claim arising out of Fields’ or Executive’s acts or omissions committed during the Initial Term or any subsequent term hereof, regardless of when such claims are asserted.

(c) Incentive Bonus. An incentive bonus, based upon the Company’s achievement of performance goals shall be paid to Fields. The goals will be pre-determined each year by the Compensation Committee of the Board of Directors in discussion with the Executive.

(d) Travel and Business Expense Reimbursement. The Company shall promptly reimburse Fields for all of Executives reasonable travel and business expenses.

(e) Company Vehicle. The Company shall reimburse Fields for the costs of a vehicle of Executives choice. The reimbursement shall not exceed \$1,200.00 per month plus applicable deposits if purchased on a monthly installment contract or leased pursuant to a operating lease. The Company shall also pay reasonable operating costs of such vehicle to include insurance, registration and taxes, maintenance, fuel and other related costs.

(f) Computer Equipment. The Company shall provide to Fields an annual allowance of up to \$6,000 to be used to acquire miscellaneous computer equipment.

(g) Life Insurance. At the expiration of the term life insurance policy currently in place that has a beneficiary designated by Executive, the Company shall buy, maintain and pay the premiums for a new life insurance policy which is mutually agreeable and to be in the name of the Executive in the amount of at least \$5,000,000, with the beneficiary to be designated by the Executive at his sole discretion. Coverage of the policy shall continue during the term of this Agreement.

(h) Stock Grant. The Company hereby grants to Fields 600,000 shares of its restricted common stock priced on July 1, 2013 (the "Stock Grant") to be issued according to a pro-rata ten year vesting schedule, the first issuance of which shall be one year from the Effective Date.

(i) Retirement Annuity. The Board of Directors of the Company will develop a plan for a trigger event to put into place a retirement annuity or other bonus award. Such plan shall be developed within six months of the Effective Date.

5. **Proprietary Information.**

(a) Obligation. Neither Fields nor the Executive shall not disclose, publish, disseminate, reproduce, summarize, distribute, make available or use any Proprietary Information, except in pursuance of Fields' duties, responsibilities and obligations under this Agreement and for the benefit of the Company.

(b) Definition. As used in this Agreement, "*Proprietary Information*" means information that is (i) designated as "confidential," "proprietary" or both by the Company or should have been known to be "confidential" or "proprietary" to the Company from the nature of the information or the circumstances of its disclosure, and (ii) has economic value or affords commercial advantage to the Company because it is not generally known or readily ascertainable by proper means by other persons. By way of illustration, Proprietary Information includes but is not limited to information relating to the Company's products, services, business operations, business plans and financial affairs, and customers; any application, utility, algorithm, formula, pattern, compilation, program, device, method, technique, process, idea, concept, know-how, flow chart, drawing, standard, specification, or invention; and any tangible embodiment of Proprietary Information that may be provided to or generated by Fields or the Executive.

(c) Return upon Termination. Upon the termination of this Agreement for any reason, and at any time prior thereto upon request by the Company, Fields shall return to the Company all tangible embodiments of any Proprietary Information in its or the Executive's possession, including but not limited to, originals, copies, reproductions, notes, memoranda, abstracts, and summaries.

(d) Ownership. Any Proprietary Information developed or conceived by the Executive during the term of this Agreement shall be and remain the sole property of the Company. Fields agrees promptly to communicate and disclose all such Proprietary Information to the Company and to execute and deliver to the Company any instruments deemed necessary by the Company to perfect the Company's rights in such Proprietary Information.

## 6. **Termination of Services.**

(a) Additional Definitions. For purposes of this Agreement, the following terms shall have the meanings assigned below:

(i) "Cause" means (A) conviction of a crime involving moral turpitude, or (B) a determination by the Board of Directors of the Company in good faith that Fields [1] has failed to substantially perform the duties as set forth herein, [2] has engaged in grossly negligent, dishonest or unethical activity, or [3] has breached a fiduciary duty or a covenant hereunder, including without limitation the unauthorized disclosure of Company trade secrets or confidential information, resulting in material loss or damage to the Company.

(ii) "Change in Control of the Company" means a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "**Exchange Act**"), if the Company were subject to such reporting requirements; provided that, without limitation, such a change in control shall be deemed to have occurred if any "person" (as such term is used in paragraph 13(d) and 14(d) of the Exchange Act) who on the date hereof is not a director or officer of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities.

(iii) "Determination Date" means (A) if this Agreement is terminated by Fields or by reason of a Change in Control of the Company, the date specified in the Notice of Termination, (B) if this Agreement is terminated for Cause by reason of conviction of a crime involving moral turpitude, the date on which a Notice of Termination is given, or (C) if this Agreement is terminated for Cause for a reason other than specified in (B), thirty (30) days after Notice of Termination is given, provided that Fields shall not have cured the reason for such Cause during such thirty (30) day period.

(iv) "Good Reason" means a failure by the Company to comply with any material provision of this Agreement which has not been cured within ten (10) days after notice of such noncompliance has been given by Fields to the Company.

(v) “Notice of Termination” means a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any termination of this Agreement by the Company or by Fields (other than termination pursuant to subsection 6(b) hereof) shall be communicated by written Notice of Termination to the other party hereto.

(b) Termination By The Company For Cause. This Agreement may be terminated without breach of this Agreement for Cause, upon written Notice of Termination from the Company to Fields and Fields’ failure to cure such Cause as provided in Section 6(a)(iii)(C) hereof. If this Agreement is terminated for Cause, the Company shall pay Fields its full Annual Base Fee accrued through the Determination Date, and the Company shall have no further obligation to Fields under this Agreement for other compensation or benefits accrued but unpaid prior to the Determination Date.

(c) Termination On Change of Control of the Company. This Agreement may be terminated without breach of this Agreement at any time within twelve months following a Change in Control of the Company at the election of Fields. If the Agreement is terminated pursuant to this Section 6(c), Fields shall be entitled to receive the compensation, benefits and reimbursement earned or accrued by Fields under the terms of this Agreement prior to the Determination Date, including any incentive bonus. In addition, Fields shall receive as a severance payment the balance of Fields’ compensation through the end of the then current term of this Agreement and the Stock Grant shall become fully vested. Also, upon Fields’ termination in connection with this Section 6(c), Fields shall be entitled to an annual bonus for the remaining period of this contract equal to the bonus due to Fields for the immediately preceding fiscal year. This Agreement may not be terminated by the Company following a Change in Control of the Company without it being a breach of this Agreement.

(d) Termination by Fields. Fields may terminate this Agreement for Good Reason in the event of the Company’s material breach of this Agreement, in the event of the death of the Executive or if the health of the Executive should become impaired to an extent that makes continued performance of Fields duties hereunder hazardous to his physical or mental health or his life, *provided that* Fields shall have furnished the Company with a written statement from a qualified doctor to such effect and, *provided further*, that, at the Company’s request, the Executive shall submit to an examination by a doctor selected by the Company and such doctor shall have concurred in the conclusion of Fields’ doctor.

If Fields shall terminate this Agreement because of the death or health of the Executive, Fields shall be entitled to receive the compensation, benefits and reimbursement earned or accrued by Fields under the terms of this Agreement prior to the Determination Date, including any incentive bonus, and the Stock Grant shall become fully vested;

If Fields shall terminate this Agreement because of the Company’s material breach of this Agreement, Fields shall be entitled to receive all payments, including severance, Stock Grants and bonuses, as defined in Section 6 (c) shall be due and payable to Fields.

7. **Miscellaneous.**

(a) Severability. If any provision of this Agreement is found to be unenforceable by a court of competent jurisdiction, the remaining provisions shall nevertheless remain in full force and effect.

(b) Notices. Any notice required or permitted hereunder to be given by either party shall be in writing and shall be delivered personally or sent by certified or registered mail, postage prepaid, or by private courier, or by facsimile or telegram to the party to the address the party may designate from time to time. A notice delivered personally shall be effective upon receipt. A notice sent by facsimile or telegram shall be effective 24 hours after the dispatch thereof. A notice delivered by mail or by private courier shall be effective on the 3rd day after the day of mailing.

(c) Attorney's Fees. In the event of any action at law or equity to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and court costs in addition to any other relief to which such party may be entitled.

(d) Governing Law. This Agreement shall be interpreted, construed, governed and enforced according to the laws of the State of Utah. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain in full force and effect.

(e) Successors and Assigns. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company.

(f) Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the services described herein. This Agreement can be amended or modified only in a writing signed by Fields and an authorized representative of the Company.

(g) Signature by Facsimile and Counterpart. This Agreement may be executed in counterpart, and facsimile signatures are acceptable and binding on the parties hereto.

**IN WITNESS WHEREOF** , the parties hereto have caused this Agreement to be duly executed and signed as of the day and year first above written.

**“Company”**

**PARK CITY GROUP, INC.** , a Nevada corporation

By: /s/ Edward L. Clissold

Name: Edward L. Clissold  
Title: Chief Financial Officer

**“Fields”**

**FIELDS MANAGEMENT, INC.**, a Utah corporation

By: /s/ Randall K. Fields

Name: Randall K. Fields

Title: President



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-190981 on Form S-8 and in Registration Statement No. 333-187902 on Form S-3 of Park City Group, Inc. of our reports dated September 11, 2014, relating to our audits of the consolidated financial statements, and internal control over financial reporting, which appear in this Annual Report on Form 10-K of Park City Group, Inc. for the year ended June 30, 2014.

/s/ HJ & Associates, LLC

HJ & Associates, LLC

Salt Lake City, Utah

September 11, 2014

**Park City Group, Inc. & Subsidiaries**  
**Certification of Principal Executive and Principal Financial Officer**  
**Pursuant To Section 302 of The Sarbanes-Oxley Act Of 2002**

I, Randall K. Fields, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 30, 2014 of Park City Group, 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 my 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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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 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 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: September 11, 2014

/s/ Randall K. Fields

Principal Executive Officer, CEO

**Park City Group, Inc. & Subsidiaries**  
**Certification of Principal Executive and Principal Financial Officer**  
**Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002**

I, Edward L. Clissold, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 30, 2014 of Park City Group, 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 my 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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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 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 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: September 11, 2014

/s/ Edward L. Clissold

General Counsel, Principal Financial Officer, CFO

**Park City Group, Inc. & Subsidiaries  
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 Park City Group, Inc. (the “*Company*”) on Form 10-K for the year ending June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), I, Randall K. Fields, Principal Executive Officer of the Company and I, Edward L. Clissold, Principal Financial Officer of the Company, do hereby 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 result of operations of the Company.

Dated: September 11, 2014

/s/ Randall K. Fields  
Principal Executive Officer, CEO

Dated: September 11, 2014

/s/ Edward L. Clissold  
General Counsel, Principal Financial Officer, CFO