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

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$0.01 par value: 16,869,917 shares as of February 13, 2014.

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PARK CITY GROUP, INC.
Consolidated Condensed Balance Sheets

	December 31, 2013 (unaudited)	June 30, 2013
Assets		
Current assets:		
Cash	\$ 3,859,451	\$ 3,616,585
Receivables, net of allowance of \$115,000 and \$190,000 at December 31, 2013 and June 30, 2013, respectively	2,904,634	2,383,366
Prepaid expenses and other current assets	290,165	403,909
Total current assets	7,054,250	6,403,860
Property and equipment, net	846,543	671,959
Other assets:		
Deposits and other assets	14,866	14,866
Note receivable	2,097,452	1,622,863
Customer relationships	2,129,177	2,340,335
Goodwill	4,805,933	4,805,933
Capitalized software costs, net	-	73,082
Total other assets	9,047,428	8,857,079
Total assets	\$ 16,948,221	\$ 15,932,898
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 698,625	\$ 653,655
Accrued liabilities	1,386,508	1,096,982
Deferred revenue	1,683,221	1,777,326
Lines of credit	1,200,000	1,200,000
Notes payable	332,723	551,421
Total current liabilities	5,301,077	5,279,384
Long-term liabilities:		
Notes payable, less current portion	474,588	310,642
Other long-term liabilities	99,709	101,500
Total liabilities	5,875,374	5,691,526
Commitments and contingencies		
Stockholders' equity:		
Series B Convertible Preferred Stock, \$0.01 par value, 30,000,000 shares authorized; 411,927 shares issued and outstanding at December 31, 2013 and June	4,119	4,119

30, 2013, respectively

Common Stock, \$0.01 par value, 50,000,000 shares authorized; 16,742,115 and 16,128,530 shares issued and outstanding at December 31, 2013 and June 30, 2013, respectively

	167,421	161,285
Additional paid-in capital	46,046,721	43,314,986
Accumulated deficit	(35,145,414)	(33,239,018)
Total stockholders' equity	11,072,847	10,241,372
Total liabilities and stockholders' equity	\$ 16,948,221	\$ 15,932,898

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.
Consolidated Condensed Statements of Operations (unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Revenues:				
Subscription	\$ 2,344,178	\$ 1,955,562	\$ 4,478,834	\$ 3,910,157
Other Revenue	675,436	703,340	1,316,716	1,461,572
Total revenues	3,019,614	2,658,902	5,795,550	5,371,729
Operating expenses:				
Cost of services and product support	1,246,443	1,099,165	2,455,546	2,179,649
Sales and marketing	1,129,832	763,301	2,369,475	1,343,657
General and administrative	979,144	595,407	2,127,617	1,169,501
Depreciation and amortization	240,727	230,455	468,302	460,523
Total operating expenses	3,596,146	2,688,328	7,420,940	5,153,330
(Loss) income from operations	(576,532)	(29,426)	(1,625,390)	218,399
Other expense:				
Interest income (expense)	26,447	(34,435)	27,940	(77,868)
(Loss) income before income taxes	(550,085)	(63,861)	(1,597,450)	140,531
(Provision) benefit for income taxes:	-	-	-	-
Net (loss) income	(550,085)	(63,861)	(1,597,450)	140,531
Dividends on preferred stock	(154,473)	(289,300)	(308,946)	(499,280)
Net (loss) applicable to common shareholders	\$ (704,558)	\$ (353,161)	\$ (1,906,396)	\$ (358,749)
Weighted average shares, basic and diluted	16,693,000	12,303,000	16,529,000	12,259,000
Basic and diluted loss per share	\$ (0.04)	\$ (0.03)	\$ (0.12)	\$ (0.03)

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.
Consolidated Condensed Statements of Cash Flows (Unaudited)
For the Six Months Ended December 31,

	2013	2012
Cash Flows From Operating Activities:		
Net (loss) income	\$ (1,597,450)	\$ 140,531
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	468,302	460,523
Stock issued for charitable contribution	96,900	-
Stock compensation expense	855,190	449,719
Bad debt expense	60,008	-
(Increase) decrease in:		
Receivables	(581,276)	(208,976)
Prepays and other assets	39,155	(81,607)
(Decrease) increase in:		
Accounts payable	44,970	218,252
Accrued liabilities	50,375	34,458
Deferred revenue	(94,105)	(214,934)
Net cash (used in) provided by operating activities	(657,931)	797,966
Cash Flows From Investing Activities:		
Cash from sales of property and equipment	6,505	-
Cash advanced on note receivable	(400,000)	-
Purchase of property and equipment	(365,151)	(297,426)
Net cash used in investing activities	(758,646)	(297,426)
Cash Flows From Financing Activities:		
Proceeds from issuance of stock	1,493,818	-
Proceeds from exercise of options and warrants	436,296	-
Proceeds from employee stock plans	62,132	81,469
Proceeds from issuance of note payable	278,290	95,548
Dividends paid	(278,051)	(247,156)
Payments on notes payable	(333,042)	(425,173)
Net cash provided by (used in) financing activities	1,659,443	(495,312)
Net increase (decrease) in cash	242,866	5,228
Cash at beginning of period	3,616,585	1,106,176
Cash at end of period	\$ 3,859,451	\$ 1,111,404
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	\$ 6,500	\$ -
Cash paid for interest	\$ 50,771	\$ 79,118

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Common stock to pay accrued liabilities	\$	633,725	\$	608,802
Dividends accrued on preferred stock	\$	308,946	\$	499,280
Dividends paid with preferred stock	\$	-	\$	171,200

See accompanying notes to consolidated condensed financial statements.

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

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

Summary of Business

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

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

Recent Developments

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

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of the Company have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") on a basis consistent with the Company's audited annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial information set forth therein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the following disclosures, when read in conjunction with the audited annual financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K, are adequate to make the information presented not misleading. Operating results for the three and six months ended December 31, 2013 are not necessarily indicative of the operating results that may be expected for the fiscal year ending June 30, 2014.

Recent Accounting Pronouncements

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

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

Use of Estimates in the Preparation of Financial Statements

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

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 December 31, 2013 and June 30, 2013, the allowance for doubtful accounts was \$115,000 and \$190,000, respectively.

Net Income and Income Per Common Share

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

For the three and six months ended December 31, 2013 and 2012, options and warrants to purchase 374,792 and 62,300 shares of common stock, respectively, were not included in the computation of diluted EPS due to the anti-dilutive effect. For the three and six months ended December 31, 2013, 1,029,818 shares of common stock

issuable upon conversion of the Company's Series B Convertible Preferred Stock ("Series B Preferred") were not included in the diluted EPS calculation as the effect would have been anti-dilutive, as compared to the 1,029,818 and 3,221,421 shares of common stock issuable upon conversion of the Company's Series A Convertible Preferred Stock ("Series A Preferred") and Series B Preferred for the three and six months ended December 31, 2012. The Company redeemed all outstanding shares of Series A Preferred on April 15, 2013, after which there were no shares of Series A Preferred outstanding.

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

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NOTE 3. LIQUIDITY AND MANAGEMENT'S PLAN

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

At December 31, 2013, the Company had positive working capital of \$1,753,173 compared with positive working capital of \$1,124,476 at June 30, 2013. This \$628,697 increase in working capital is principally due to the additional Director Investment in August 2013, increased accounts receivable, and reductions in deferred revenue and current notes payable. These were partially offset by an increase in accrued liabilities and accounts payable. While no assurances can be given, management currently believes that the Company will continue to increase its working capital position, and thereby reduce its indebtedness in subsequent periods utilizing existing cash resources and projected cash flow from operations. In addition, management may also refinance or restructure certain of the Company's indebtedness to extend the maturities of such indebtedness to address its short-term and long-term working capital requirements. Management believes that these initiatives will enable us to address our debt service requirements during the next twelve months, as well as fund our currently anticipated operations and capital spending requirements. The financial statements do not reflect any adjustments should cash flow from operations be insufficient to meet our spending and debt service requirements, and we are otherwise unable to refinance or restructure our indebtedness.

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

NOTE 4. STOCK-BASED COMPENSATION

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

NOTE 5. OUTSTANDING STOCK

The following tables summarize information about warrants outstanding and exercisable at December 31, 2013:

	Warrants Outstanding at December 31, 2013			Warrants Exercisable at December 31, 2013	
	Number outstanding at December 31, 2013	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at December 31, 2013	Weighted average exercise price
Warrants					
\$ 3.50 – 3.60	298,048	4.46	\$ 3.55	298,048	\$ 3.55

\$	6.45	76,744	4.91	\$	6.45	76,744	\$	6.45
		374,792	4.55	\$	4.14	374,792	\$	4.14

NOTE 6. RELATED PARTY TRANSACTIONS

None.

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NOTE 7. PROPERTY AND EQUIPMENT

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

	December 31, 2013 (unaudited)	June 30, 2013
Computer equipment	\$ 2,805,788	\$ 2,444,129
Furniture and fixtures	260,574	321,281
Leasehold improvements	231,782	231,782
	3,298,144	2,997,192
Less accumulated depreciation and amortization	(2,451,601)	(2,325,233)
	\$ 846,543	\$ 671,959

NOTE 8. CAPITALIZED SOFTWARE COSTS

Capitalized software costs consist of the following as of:

	December 31, 2013 (unaudited)	June 30, 2013
Capitalized software costs	\$ 2,443,128	\$ 2,443,128
Less accumulated amortization	(2,443,128)	(2,370,046)
	\$ -	\$ 73,082

NOTE 9. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of:

	December 31, 2013 (unaudited)	June 30, 2013
Accrued stock-based compensation	\$ 709,478	\$ 497,012
Accrued compensation	353,946	295,377
Accrued dividends	154,473	176,892
Accrued other liabilities	168,611	123,578
Accrued interest	-	4,123
	\$ 1,386,508	\$ 1,096,982

NOTE 9. PREFERRED DIVIDENDS

Holders of Series B Preferred are entitled to a 15.00% annual dividend payable quarterly in cash. The Company's Series B Preferred are held by affiliates of the Company, consisting of the Chief Executive Officer, his spouse, and a director.

Holders of Series A Preferred were entitled to a 10.00% annual dividend payable quarterly in either cash or additional Series A Preferred at the option of the Company with fractional shares paid in cash. On March 15, 2013, the Company called for the redemption of 686,210 issued and outstanding shares of Series A Preferred. The Company completed the Series A Preferred Redemption on April 15, 2013. On that date, of the 686,210 shares of Series A

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Preferred issued and outstanding, 2,172 shares were redeemed for \$10.00 per share, or an aggregate total of \$21,720, and the remaining 684,038 shares were converted into 3.33 shares of common stock for each share of Series A Preferred redeemed, or an aggregate total of 2,280,149 shares of the Company's common stock.

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NOTE 10. INCOME TAXES

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

NOTE 11. SUBSEQUENT EVENTS

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

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

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements." Actual results could differ materially from those projected in the forward looking statements as a result of a number of risks and uncertainties, including those risks factors contained in our June 30, 2013 Annual Report on Form 10-K, incorporated herein by reference. Statements made herein are as of the date of the filing of this Form 10-Q with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

Overview

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

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

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

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

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

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Recent Developments

Listing of Common Stock on the NASDAQ Capital Market

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

Results of Operations

Comparison of the Three Months Ended December 31, 2013 to the Three Months Ended December 31, 2012.

Revenue

	Fiscal Quarter Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
Subscription	\$ 2,344,178	\$ 1,955,562	\$ 388,616	20%
Other revenue	675,436	703,340	(27,904)	-4%
Total revenue	\$ 3,019,614	\$ 2,658,902	\$ 360,712	14%

Total revenue was \$3,019,614 and \$2,658,902 for the three months ended December 31, 2013 and 2012, respectively, a 14% increase. This \$360,712 increase in total revenue was principally due to an increase of \$388,616 in subscription revenue, offset by a decrease of \$27,904 in other revenue, as more particularly described below.

Management believes that the Company's strategy of pursuing contracts with suppliers ("spokes") to connect to retail customers ("hubs") that have been added in the most recently completed fiscal year, including the service agreement with CVS Pharmacy, Inc., announced in July 2012, will continue to result in increased revenue during the fiscal year ending June 30, 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 \$2,344,178 and \$1,955,562 for the three months ended December 31, 2013 and 2012, respectively, a 20% increase in the three months ended December 31, 2013 when compared with the three months ended December 31, 2012. The net increase of \$388,616 is principally due to (i) the growth of existing retailer and supplier subscriptions of \$427,000 and (ii) the addition of new customers contributing \$104,000. The increase in subscription revenue was partially offset by a decrease of approximately \$143,000 resulting from the non-renewal of existing clients. While no assurances can be given, the Company anticipates that revenue from subscription-based services will continue to increase on a year-over-year basis. Subscription revenue recognized from the relationship with ReposiTrak was \$400,000 and \$300,000 for the three months ended December 31, 2013 and 2012, respectively.

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.

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Other Revenue

Other revenue was \$675,436 and \$703,340 for the three months ended December 31, 2013 and 2012, respectively, a decrease of 4% in the three months ended December 31, 2013 compared with the three months ended December 31, 2012. The net decrease of \$27,904 is principally due to net decrease in maintenance revenue of \$77,000 partially offset by (i) an increase in professional services and (ii) an increase in license sales to our legacy customer base. Other revenue includes management fees from the relationship with Repositrak which totaled \$186,057 and \$116,107 for the three months ended December 31, 2013 and 2012, respectively.

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

Cost of Services and Product Support

	Fiscal Quarter Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
Cost of services and product support	\$ 1,246,443	\$ 1,099,165	\$ 147,278	13%
Percent of total revenue	41%	41%		

Cost of services and product support was \$1,246,443 and \$1,099,165 for the three months ended December 31, 2013 and 2012, respectively, a 13% increase in the three months ended December 31, 2013 compared with the three months ended December 31, 2012. This increase of \$147,278 for the quarter ended December 31, 2013 when compared with the same period ended December 31, 2012 is principally due to (i) a \$155,000 increase in employee related expenses; and (ii) a \$9,000 increase travel related expenses. These increases were partially offset by a decrease of \$17,000 in other product support costs.

Sales and Marketing Expense

	Fiscal Quarter Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
Sales and marketing	\$ 1,129,832	\$ 763,301	\$ 366,531	48%
Percent of total revenue	37%	29%		

Sales and marketing expense was \$1,129,832 and \$763,301 for the three months ended December 31, 2013 and 2012, respectively, a 48% increase. This \$366,531 increase over the comparable quarter was primarily the result of (i) an increase in salary and sales consulting and related expenses of \$159,000; (ii) an increase of \$176,000 in marketing expenses; and (iii) an increase of \$31,000 in travel related expenses. Management expects sales and marketing expenses to remain at current levels to support anticipated growth in subscription revenue, among other factors.

General and Administrative Expense

	Fiscal Quarter Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
General and administrative	\$ 979,144	\$ 595,407	\$ 383,737	64%
Percent of total revenue	32%	22%		

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General and administrative expense was \$979,144 and \$595,407 for the three months ended December 31, 2013 and 2012, respectively, a 64% increase in the three months ended December 31, 2013 compared with the three months ended December 31, 2012. This \$383,737 increase when comparing expenditures for the quarter ended December 31, 2013 with the same period ended December 31, 2012 is principally due to (i) an increase in stock compensation, bonus and salary expense of \$337,000; (ii) a \$60,000 increase in bad debt expense; (iii) \$16,000 increase in estimated taxes; and (iv) an increase of \$7,000 in travel and other expenses. The increase in general and administrative expense during the quarter ended December 31, 2013 was partially offset by a decrease of \$36,000 in facility related costs.

Depreciation and Amortization Expense

	Fiscal Quarter Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
Depreciation and amortization	\$ 240,727	\$ 230,455	\$ 10,272	4%
Percent of total revenue	8%	9%		

Depreciation and amortization expense was \$240,727 and \$230,455 for the three months ended December 31, 2013 and 2012, respectively, an increase of 4% in the three months ended December 31, 2013 compared with the three months ended December 31, 2012. This comparative increase of \$10,272 is related to new hardware purchases during the quarter ended December 31, 2013.

Other Income and Expense

	Fiscal Quarter Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
Interest income (expense)	\$ 26,447	\$ (34,435)	\$ 60,882	177%
Percent of total revenue	1%	1%		

Interest income (expense) was income of \$26,477 and expense of \$34,435 for the three months ended December 31, 2013 and 2012, respectively, a change of 177% in the three months ended December 31, 2013 compared with the three months ended December 31, 2012. This change of \$60,882 for the quarter ended December 31, 2013 when compared to the quarter ended December 31, 2012 is due to interest income on notes receivable of \$42,000 and a decrease in expenses related to lower outstanding balances on notes payable.

Preferred Dividends

	Fiscal Quarter Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
Preferred dividends	\$ 154,473	\$ 289,300	\$ (134,827)	-47%
Percent of total revenue	5%	11%		

Dividends accrued on the Company's Series B Preferred was \$154,473 for the three months ended December 31, 2013, compared to dividends accrued on the Company's Series A Preferred and Series B Preferred of \$289,300 for the three months ended December 31, 2012.

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

Comparison of the Six Months Ended December 31, 2013 to the Six Months Ended December 31, 2012.

Revenue

	Six Months Ended		Variance	
	December 31,		Dollars	Percent
	2013	2012		
Subscription	\$ 4,478,834	\$ 3,910,157	\$ 568,677	15%
Other revenue	1,316,716	1,461,572	(144,856)	-10%
Total revenue	\$ 5,795,550	\$ 5,371,729	\$ 423,821	8%

Total revenue was \$5,795,550 and \$5,371,729 for the six months ended December 31, 2013 and 2012, respectively, an 8% increase. This \$423,821 increase in total revenue was principally due to an increase of \$568,677 in subscription revenue, offset by a decrease of \$144,856 in other revenue, as more particularly described below.

Subscription Revenue

Subscription revenue was \$4,478,834 and \$3,910,157 for the six months ended December 31, 2013 and 2012, respectively, a 15% increase in the six months ended December 31, 2013 when compared with the six months ended December 31, 2012. The net increase of \$568,677 is principally due to (i) the growth of existing retailer and supplier subscriptions of \$662,000 and (ii) the addition of new customers contributing \$155,000. The increase in subscription revenue was partially offset by a decrease of approximately \$248,000 resulting from the non-renewal of existing clients. Subscription revenue recognized from the Company's relationship with ReposiTrak was \$800,000 and \$600,000 for the six months ended December 31, 2013 and 2012, respectively. Of this amount for December 31, 2013, \$400,000 was paid by the issuance to the Company of promissory notes reflected on the Company's balance sheet as notes receivable, and \$400,000 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.

Other Revenue

Other revenue was \$1,316,716 and \$1,461,572 for the six months ended December 31, 2013 and 2012, respectively, a decrease of 10% in the six months ended December 31, 2013 compared with the six months ended December 31, 2012. The net decrease of \$144,856 is principally due to (i) net decrease in maintenance revenue of \$152,000; (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 \$350,935 and \$298,179 for the six months ended December 31, 2013 and 2012, respectively. Of the amount for the period ended December 31, 2013, \$164,878 was paid in cash and \$186,057 is reflected on the Company's balance sheet as accounts receivable.

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Cost of Services and Product Support

	Six Months Ended December 31,		Variance	
	2013	2012	Dollars	Percent
Cost of services and product support	\$ 2,455,546	\$ 2,179,649	\$ 275,897	13%
Percent of total revenue	42%	41%		

Cost of services and product support was \$2,455,546 and \$2,179,649 for the six months ended December 31, 2013 and 2012, respectively, a 13% increase in the six months ended December 31, 2013 compared with the six months ended December 31, 2012. This increase of \$275,897 for the six months ended December 31, 2013 when compared with the same period ended December 31, 2012 is principally due to (i) a \$227,000 increase in employee related expenses; (ii) a \$21,000 increase in other product support costs; and (iii) an \$28,000 increase in travel related expenses.

Sales and Marketing Expense

	Six Months Ended December 31,		Variance	
	2013	2012	Dollars	Percent
Sales and marketing	\$ 2,369,475	\$ 1,343,657	\$ 1,025,818	76%
Percent of total revenue	41%	25%		

Sales and marketing expense was \$2,369,475 and \$1,343,657 for the six months ended December 31, 2013 and 2012, respectively, a 76% increase. This \$1,025,818 increase over the comparable period was primarily the result of (i) an increase in salary and sales consulting and related expenses of \$587,000; (ii) an increase of \$323,000 in marketing expenses; and (iii) an increase of \$116,000 in travel related expenses. Management expects sales and marketing expenses to remain at current levels to support anticipated growth in subscription revenue, among other factors.

General and Administrative Expense

	Six Months Ended December 31,		Variance	
	2013	2012	Dollars	Percent
General and administrative	\$ 2,127,617	\$ 1,169,501	\$ 958,116	82%
Percent of total revenue	37%	22%		

General and administrative expense was \$2,127,617 and \$1,169,501 for the six months ended December 31, 2013 and 2012, respectively, an 82% increase in the six months ended December 31, 2013 compared with the six months ended December 31, 2012. This \$958,116 increase when comparing expenditures for the six months ended December 31, 2013 with the same period ended December 31, 2012 is principally due to (i) an increase in stock compensation, bonus and salary expense of \$856,000; (ii) \$60,000 in increase in bad debt expense; (iii) \$53,000 increase in estimated taxes; and (iv) an increase of \$23,000 in travel and other expenses. The increase in general and administrative expense during the comparable period ended December 31, 2013 was partially offset by a decrease of \$34,000 in facility related costs.

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Depreciation and Amortization Expense

	Six Months Ended December 31,		Variance	
	2013	2012	Dollars	Percent
Depreciation and amortization	\$ 468,302	\$ 460,523	\$ 7,779	2%
Percent of total revenue	8%	9%		

Depreciation and amortization expense was \$468,302 and \$460,523 for the six months ended December 31, 2013 and 2012, respectively, an increase of 2% in the six months ended December 31, 2013 compared with the six months ended December 31, 2012. Depreciation and amortization expenses have remained relatively flat with an increase of \$8,000 for the six months ended December 31, 2013 when compared to the six months ended December 31, 2012.

Other Income and Expense

	Six Months Ended December 31,		Variance	
	2013	2012	Dollars	Percent
Interest income (expense)	\$ 27,940	\$ (77,868)	\$ 105,808	136%
Percent of total revenue	1%	1%		

Interest income (expense) was income of \$27,940 and expense of \$77,868 for the six months ended December 31, 2013 and 2012, respectively, a change of 136% in the six months ended December 31, 2013 compared with the six months ended December 31, 2012. This change of \$105,808 for the six months ended December 31, 2013 when compared to the six months ended December 31, 2012 is due to interest income on notes receivable of \$75,000 and a decrease in interest expense related to lower outstanding balances on notes payable.

Preferred Dividends

	Six Months Ended December 31,		Variance	
	2013	2012	Dollars	Percent
Preferred dividends	\$ 308,946	\$ 499,280	\$ (190,334)	38%
Percent of total revenue	5%	9%		

Dividends accrued on the Company's Series B Preferred was \$308,946 for the six months ended December 31, 2013, compared to dividends accrued on the Company's Series A Preferred and Series B Preferred of \$499,280 for the six months ended December 31, 2012.

Financial Position, Liquidity and Capital Resources

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

	As of December 31,		Variance	
	2013	2012	Dollars	Percent

Cash and Cash Equivalents	\$ 3,859,451
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