

Edgar Filing: PARK CITY GROUP INC - Form 10QSB

PARK CITY GROUP INC  
Form 10QSB  
May 16, 2005

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2005

Commission File Number 000-03718

PARK CITY GROUP, INC.

-----  
(Exact name of small business issuer as specified in its charter)

Nevada

37-1454128

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer Identification No.)

333 Main Street, P.O. Box 5000; Park City, Utah 84060

-----  
(Address of principal executive offices)

(435) 649-2221

-----  
(Registrant's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act 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.  
[X]Yes [ ]No

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

| Class                         | Outstanding as of<br>May 6, 2005 |
|-------------------------------|----------------------------------|
| Common Stock, \$.01 par value | 278,420,529                      |
| Shareholders                  | 2,359                            |

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(Unaudited)

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| Exhibit 31                  | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |    |
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PARK CITY GROUP, INC.  
Consolidated Condensed Balance Sheet (Unaudited)  
March 31, 2005

Assets

Current assets:

Cash

Receivables, net of allowance for doubtful accounts of \$109,759

Prepaid expenses and other current assets

Total current assets

Property and equipment, net of accumulated depreciation and amortization of \$1,574,967

Other assets:

Deposits and other assets

Capitalized software costs, net of accumulated amortization of \$664,697

Total other assets

Total assets

Liabilities and Stockholders' Deficit

Current liabilities:

Accounts payable

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Accrued liabilities  
 Deferred revenue  
 Current portion of capital lease obligations  
 Related party notes payable, net of discount of \$18,563  
 Notes payable, net of discount of \$82,464  
 Related party lines of credit

Total current liabilities

Long-term liabilities

Related party notes payable, net of discounts of \$135,715  
 Capital lease obligations, less current portion

Total long-term liabilities

Total liabilities

Commitments and contingencies

Stockholders' deficit:

Preferred stock, \$0.01 par value, 30,000,000 shares authorized, none issued  
 - Common stock, \$0.01 par value, 300,000,000 shares authorized;  
     278,420,529 issued and outstanding  
 Additional paid-in capital  
 Accumulated deficit

Total Stockholders' deficit

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.  
 Consolidated Condensed Statements of Operations (Unaudited)  
 For the Three and Nine Months Ended March 31, 2005 and 2004

|                         | Three<br>Months Ended<br>March 31, |            |       |
|-------------------------|------------------------------------|------------|-------|
|                         | 2005                               | 2004       | 20    |
|                         | -----                              | -----      | ----- |
| Revenues:               |                                    |            |       |
| Software licenses       | \$ 149,760                         | \$ 834,000 | \$ 45 |
| Maintenance and support | 560,631                            | 588,532    | 1,85  |
| Consulting and other    | 95,473                             | 86,347     | 42    |
|                         | -----                              | -----      | ----- |
|                         | 805,865                            | 1,508,879  | 2,73  |

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|                                      |              |             |          |
|--------------------------------------|--------------|-------------|----------|
| Cost of revenues                     | 394,192      | 270,282     | 1,04     |
|                                      | -----        | -----       | -----    |
| Gross Margin                         | 411,673      | 1,238,598   | 1,69     |
|                                      | -----        | -----       | -----    |
| Operating expenses:                  |              |             |          |
| Research and development             | 256,309      | 246,607     | 76       |
| Sales and marketing                  | 310,081      | 249,486     | 98       |
| General & administrative expenses    | 377,748      | 328,972     | 1,35     |
|                                      | -----        | -----       | -----    |
| Income (loss) from operations        | (532,465)    | 413,532     | (1,41    |
| Other income (expense):              | -            | 86,934      |          |
| Interest Income (expense)            | (300,517)    | (399,139)   | (86      |
|                                      | -----        | -----       | -----    |
| Income(loss) before income taxes     | (832,982)    | 101,327     | (2,27    |
| (Provision) benefit for income taxes |              |             |          |
| Current                              | -            | -           |          |
| Deferred                             | -            | -           |          |
|                                      | -----        | -----       | -----    |
| Net income (loss)                    | \$ (832,982) | \$ 101,326  | \$ (2,27 |
|                                      | =====        | =====       | =====    |
| Weighted average shares, basic       | 277,374,000  | 241,675,000 | 272,28   |
|                                      | =====        | =====       | =====    |
| Weighted average shares, diluted     | 277,374,000  | 250,715,000 | 272,28   |
|                                      | =====        | =====       | =====    |
| Basic income (loss) per share        | \$ (0.00)    | \$ 0.00     | \$       |
|                                      | =====        | =====       | =====    |
| Diluted income (loss) per share      | \$ (0.00)    | \$ 0.00     | \$       |
|                                      | =====        | =====       | =====    |

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.  
Consolidated Condensed Statements of Cash Flows (Unaudited)  
For the Nine Months Ended March 31, 2005 and 2004

|   | March 31,<br>2005 |
|---|-------------------|
|   | -----             |
| Cash Flows From Operating Activities:   |                   |
| Net loss  | \$(2,278,20       |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                   |
| Depreciation and amortization   | 254,26            |
| Bad debt expense  | 104,41            |
| Stock issued for services and expenses  | 508,69            |
| Amortization of warrant and other discount on debt  | 131,10            |
| Gain on settlement of payable   |                   |
| Decrease (increase) in:   |                   |

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|   |           |
|---|-----------|
| Trade receivables                                   | (48,01    |
| Prepaid and other assets                            | 74,51     |
| Increase (decrease) in:                             |           |
| Accounts payable                                    | 152,18    |
| Accrued liabilities                                 | (219,45   |
| Deferred revenue                                    | 144,52    |
| Advances payable                                    |           |
| Accrued interest, related party                     | 361,00    |
|   | -----     |
| Net cash provided by (used in) operating activities | (814,95   |
|   | -----     |
| Cash Flows From Investing Activities:               |           |
| Purchase of property and equipment                  | (32,13    |
| Proceeds from disposal of property                  | 3,40      |
|   | -----     |
| Net cash used in investing activities               | (28,73    |
|   | -----     |
| Cash Flows From Financing Activities:               |           |
| Net (decrease) increase in line of credit           | 544,81    |
| Payments on notes payable and capital leases        | (33,00    |
| Payments to extend note payable                     | (9,00     |
| Proceeds from exercise of stock options             |           |
| Proceeds from issuance of stock                     | 150,00    |
|   | -----     |
| Net cash provided by financing activities           | 652,80    |
|   | -----     |
| Net Increase (decrease) in cash                     | (190,88   |
| Cash at beginning of period                         | 312,81    |
|   | -----     |
| Cash at end of period                               | \$ 121,93 |
|   | =====     |

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
March 31, 2005

Note 1 - Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles for quarterly financial statements, and includes all adjustments of a normal recurring nature, which in the opinion of management are necessary in order to make the financial statements not misleading. Although the Company believes that the disclosures in these unaudited financial statements are adequate to make the information

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presented for the interim periods not misleading, certain information and footnote information normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, and these financial statements should be read in conjunction with the Company's audited annual financial statements included in the Company's June 30, 2004 Annual Report on Form 10-KSB. Results of operations for the three and nine months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending June 30, 2005.

Certain 2003 amounts have been reclassified to conform to 2004 classifications.

### Note 2 - Stock-Based Compensation

At March 31, 2005 and 2004, the Company has issued stock options to certain of its employees. The Company accounts for these options under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net loss, as all options granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. Had compensation cost for the Company's stock option plans been determined based on fair value consistent with the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below:

|  | Three<br>Months Ended<br>March 31, |            |                |
|--|------------------------------------|------------|----------------|
|  | 2005                               | 2004       | 2003           |
| Net Loss available to common shareholders, as reported   | \$ (832,982)                       | \$ 101,326 | \$ (2,270,000) |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects                                       | -                                  | -          | -              |
| Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects. | -                                  | -          | (1,000,000)    |
| Net (loss) income - pro forma  | \$ (832,982)                       | \$ 101,326 | \$ (2,270,000) |
| Loss per share:  |                                    |            |                |
| Basic and diluted - as reported  | \$ (0.00)                          | \$ 0.00    | \$ (0.00)      |
| Basic and diluted - pro forma  | \$ (0.00)                          | \$ 0.00    | \$ (0.00)      |

### Note 3 - Related Party Transactions

The Company entered into a Securities Purchase Agreement dated as of August 26, 2004 with its President, James Horton. The agreement was amended in October 2004; the amended terms called for the payment of \$150,000 due December 15, 2004 for the purchase of 2,142,857 at \$0.07 and a warrant to purchase 6,428,571 shares of common stock at \$0.07. The Company received the cash before December 15th and issued the stock and warrants accordingly.

The LOC with Riverview Financial was extended in December 2004 with the payment of \$9,000 cash and 225,000 shares of common stock.

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### Note 4 - Supplemental Cash Flow Information

In connection with the note payable funding from Whale Investment, Ltd., in December 2002 the Company, issued warrants and shares of common stock as a finder's fee. The value of the warrants was recorded as a discount on the note payable, of which \$22,464 and \$67,392 was amortized into interest expense during the nine months ended March 31, 2005 and 2004, respectively. The value of the shares issued for the finder's fee was recorded as a prepaid expense, of which \$19,048 and \$57,144 was amortized into expense during the nine months ended March 31, 2005 and 2004, respectively. In June 2004 the note payable to Whale Investments, LTD was extended to December 31, 2005 and ownership of the note payable was transferred to Whale Investment's sister Company Triplenet Investments. As consideration for the extension the Company paid \$40,000 Cash and issued 1,000,000 shares of common stock valued at \$80,000. The fair value of the cash and shares issued in connection with the extension was recorded as a discount to the note payable, of which \$60,000 was amortized to interest expense during the nine months ended March 31, 2005. Due to the extension the remainder of original warrant and finders fee will be amortized over the extended life of the note payable.

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The fair value of 857,143 shares issued in connection with the \$345,000 note payable funding from Riverview obtained as a condition of the Whale Investment, Ltd. funding was recorded as a discount on the note payable, of which \$4,285 and \$6,429 was amortized into interest expense during the nine months ended March 31, 2005 and 2004, respectively. In December 2004 the note payable to Riverview was extended for a period of 12 months for \$9,000 and 225,000 shares of common stock valued at \$15,750. The fair value of the cash and stock paid as consideration in the amount of \$24,750 for the extension was recorded as a discount to the note payable, of which \$6,188 was amortized to interest expense during the nine months ended March 31, 2005.

For the nine months ended March 31, 2005 and 2004 the Company paid interest in cash of \$350,600 and \$379,208, respectively. No cash was paid for income taxes.

### Note 5 - Net Loss Per Common Share

Basic net loss per common share ("Basic EPS") excludes dilution and is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue 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 loss per common share. Options and warrants to purchase 52,109,500 and 74,884,203 shares of common stock as of March 31, 2005 and 2004, respectively, were not included in the computation of Diluted EPS. The inclusion of the options would have been anti-dilutive, thereby decreasing net loss per common share.

### Note 6 - Accrued Liabilities

Accrued liabilities consist of the following at March 31, 2005

|                            |           |
|----------------------------|-----------|
| Accrued vacation           | \$101,465 |
| Other payroll liabilities  | 13,903    |
| Accrued Stock Compensation | 65,958    |
| Accrued interest           | 711,950   |
| Other accrued liabilities  | 20,760    |

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\$914,036  
=====

### Note 7 - Recent Accounting Pronouncements

In December 2003, the FASB issued Interpretation No. 46 ("FIN 46R") (revised December 2003), Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 ("ARB 51"), which addresses how a business enterprise should evaluate whether it has a controlling interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB Interpretation No. 46 (FIN 46), which was issued in January 2003. Before concluding that it is appropriate to apply ARB 51 voting interest consolidation model to an entity, an enterprise must first determine that the entity is not a variable interest entity ("VIE"). As of the effective date of FIN 46R, an enterprise must evaluate its involvement with all entities or legal structures created before February 1, 2003 to determine whether consolidation requirements of FIN 46R apply to those entities. There is no grandfathering of existing entities. Public companies must apply either FIN 46 or FIN 46R immediately to entities created after January 31, 2003 and no later than the end of the first reporting period that ends after March 15, 2004. The adoption of FIN 46 had no effect on the Company's consolidated financial position, result of operations or cash flows.

On December 18, 2003, the SEC issued Staff Accounting Bulletin No. 104, Revenue Recognition ("SAB 104"), which supersedes SAB 101, Revenue Recognition in Financial Statements. SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, which was superseded as a result of the issuance of EITF 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. SAB 104 does not have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, which amends Accounting Principles Board (APB) Opinion No. 29, Accounting for Nonmonetary Transactions. The guidance in APB Opinion 29 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB Opinion 29, however, included certain exceptions to that principle. SFAS 153 amends APB Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for fiscal periods beginning after June 15, 2005. We do not expect that the adoption of SFAS 153 will have a material impact on our financial position or results of operations.

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No.123 (Revised 2004), Share Based Payment ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial

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statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective as of the first interim period that begins after December 15, 2005. Accordingly, the Company will implement the revised standard in the first quarter of fiscal year 2006. Currently, the Company accounts for its share-based



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payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements. Management is assessing the implications of this revised standard and the effect of the adoption of SFAS 123R will have on our financial position, results of operations, or cash flow.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

Form 10-KSB for the year ended June 30, 2004 incorporated herein by reference.

### Forward-Looking Statements

This quarterly report on Form 10-QSB contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 Form 10-KSB annual report at June 30, 2004, incorporated herein by reference. Statements made herein are as of the date of the filing of this Form 10-QSB 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.

### Three Months Ended March 31, 2005 and 2004

Total revenues were \$805,865 and \$1,508,879 for the quarters ended March 31, 2005 and 2004, respectively, a decrease of 47% in 2005 over the comparable period for 2004. Software license revenues were \$149,760 and \$834,000 for the quarters ended March 31, 2005 and 2004, respectively, an 82% decrease. Sales in 2004 included two large sales to existing accounts last year. The decision to move the business to more of an ASP model has also lowered software license sales revenue. Maintenance and support revenues were \$560,631 and \$588,532 for the quarters ended March 31, 2005 and 2004, respectively, a 5% decrease. During this 3 month period we lost maintenance from 2 long term maintenance accounts and extended the warranty period of a new client until next quarter, for a total decrease of \$93,000. These decreases were offset by the addition of \$30,000 in ASP revenue and \$40,000 in additional new maintenance from license sales to existing accounts for additional FMM departments. Consulting and other revenue was \$95,473 and \$86,347 for the quarters ended March 31, 2005 and 2004, respectively, an 11% increase. This increase comes from the signing of additional consulting contracts with three existing customers.

Research and development expenses were \$256,309 and \$246,607 for the quarters ended March 31, 2005 and 2004 respectively, a 4% increase. This increase represents the raises and some staffing changes.

Sales and marketing expenses were \$310,081 and \$249,486 for the quarters ended March 31, 2005 and 2004, respectively, a 24% increase. This increase is from the hiring of management to focus on building a commissioned sales staff and

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increased travel for sales activities.

General and administrative expenses were \$377,748 and \$328,972 for the quarters ended December 31, 2004 and 2003, respectively, a 15% increase. This increase is due to bad debt expense recognized during the quarter ended March 31, 2005 due to a change in estimate of the allowance for doubtful accounts.

Nine Months Ended March 31, 2005 and 2004

Total revenues were \$2,736,604 and \$4,610,619 for the nine months ended March 31, 2005 and 2004, respectively, a 41% decrease in 2005 over the comparable period for 2004. Software license revenues were \$453,615 and \$2,462,276 for the nine months ended March 31, 2005 and 2004, respectively, an 82% decrease. For comparability in 2004 there were three events that contributed to this decrease in comparing 2005 with 2004. During the first 9 months of 2004 we recognized \$350,000 of deferred revenues, and we had one alliance license sale for \$918,887 and a site license sale to an existing customer for \$675,000. The Company has had difficulty in closing sales during the 2005 Fiscal Year due to the overall slow down in the economy and the cautious nature of the Grocery, C-Store and Specialty retail markets which has contributed to the decrease in sales. Maintenance and support revenues were \$1,854,314 and \$1,694,287 for the nine months ended March 31, 2005 and 2004, respectively, a 9% increase. ASP revenue and the combination of both new customers and existing customer additional products sales have offset the decrease of customers that normally discontinue maintenance. Consulting and other revenue was \$428,674 and \$454,056 for the nine months ended March 31, 2005 and 2004, respectively, a 6% decrease. Project delays during the six month period ending December 31, 2004 account for this decrease.

Research and development expenses were \$763,159 and \$921,839 for the nine months ended March 31, 2005 and 2004 respectively, a 17% decrease. This decrease represents the general stabilization of both the Fresh Market Manager and Action Manager 4X software. Research and development resources have been switched to the Sales and Marketing of these suites.

Sales and marketing expenses were \$985,804 and \$802,101 for the nine months ended March 31, 2005 and 2004, respectively, a 23% increase. This increase is from the hiring of management to focus on building a commissioned sales staff and increased travel for sales activities.

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General and administrative expenses were \$1,356,678 and \$1,046,914 for the nine months ended March 31, 2005 and 2004, respectively, a 30% increase. This increase includes a \$165,200 expense for the settlement of a legal case.

Liquidity and Capital Resources

The Company had a working capital deficit at March 30, 2005 and incurred a net loss for the nine months then ended.

During the quarter ending December 31, 2004, the Company made significant strategic decisions that affected strategic alliances sales. The Company determined that it would not extend the exclusive rights to sell the ActionManager Scheduler in the Specialty Retail Market to its partner, CRS Retail Systems. Our alliance partner requested an extension in payment terms for 6 months for the exclusive rights, however, upon review of their sales opportunities and pipeline, it was management's decision that we would receive an amount equal to or greater than the exclusivity purchase from other applications that the alliance partner had identified in their anticipated sales. After discussions with the alliance partner, it was agreed that this was

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the best course of action. We are currently working on several accounts with this alliance partner and they continue to add new prospects to their pipeline.

As an additional effort to manage expenses and increase employee participation in the ownership of the Company, beginning October 1, 2003, 10% of the staff employee compensation had been paid in shares of common stock. For the quarter ended December 31, 2003, 1,000,130 shares of common stock were issued in lieu of \$30,004 of cash compensation. The Company concluded the stock for the staff employee compensation program in September 2004. A separate program for management compensation was initiated on July 1, 2002 and that program continues to be in place. From December 31, 2003 until December 31, 2004 the Company issued 2,059,346 shares in lieu of \$80,899 of cash compensation.

On March 1, 2005, the Company decided to reinstate the employee participation in ownership program for all employees. The program requires a minimum 10% participation level and allows the employee to use up to 25% of their pay to purchase stock in the Company. The Company is offering a 2 for 1 stock issuance as an incentive to the employees. Currently the total deferral per month is at \$27,843. The Company plans to make their first stock issuance in May 2005.

The marketing focus of the Company has changed under the direction of Jim Horton, the Company's new President. The Company has concentrated on establishing a network of commissioned sales representatives and alliance partners for the FMM suite. In addition the Company has started pursuing the convenience store market with its Action Manager and Fresh Market Manager products, in both license sales and ASP offering. In addition the company has also started pursuing the Convenience Store and Perishable Manufactures markets with some encouraging responses.

To date, the Company has financed its operations through operating revenues, loans from directors, officers and stockholders, loans from the CEO and majority shareholder, and private placements of equity securities. The company is working on new long term financing options as well as the possible sale of some market segments for their Action Manager Suite of Products. There can be no assurance that the Company will be successful in achieving additional sales or in obtaining of additional financing.

The company is prepared to make management and staffing cuts to lower overhead if sales do not occur or if we are unable to complete a new long term finance package.

### Item 3 - Controls and Procedures

#### (a) Evaluation of disclosure controls and procedures.

Randall K. Fields who serves as Park City Group's chief executive officer and William Dunlavy, who serves as Park City Group's chief financial officer, after evaluating the effectiveness of Park City Group's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and in preparation for section 404 of the Sarbanes Oxley Act of 2002 as of March 31, 2005 (the "Evaluation Date") concluded that as of the Evaluation Date, Park City Group's disclosure controls and procedures were adequate and effective to ensure that material information relating to Park City Group and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared. Although we feel that these controls are adequate to prevent material misstatements, we have found significant deficiencies that the Company will work to rectify in the coming year as it continues its review as required by Sarbanes Oxley.

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## Part II - OTHER INFORMATION

### Item 1 - Legal Proceedings

In August 2002, the Company filed legal action against The Yankee Companies, Inc. et al. The defendants were entities and individuals involved in the reorganization of Amerinet and its acquisition of control of Park City Group (Delaware). These causes of actions include: violation of Florida's Securities and investor Protection Act, Fraud, negligent misrepresentation, violation of Federal Securities Acts 1933 and 1934 and breach of promissory note. This action has been filed in the State of Utah.

In December 2004 the Company settled with the Calvo family interests, which involved the issuance of 2,065,000 shares of the Company's restricted common stock at a fair value of \$165,200. The actual settlement agreement was signed January 3, 2005 and the shares were issued accordingly. The case has now been settled as between all parties with the exception of the claims of the Company against The Yankee Companies (Yankee). The Company has a default judgement against Yankee but it is unlikely that there is any possibility of collecting on the judgement.

### Item 2 - Changes in Securities

- o In August 2004 536,267 shares of common stock were issued to employees in lieu of cash compensation.
- o In September 2004 2,405,650 shares of common stock were issued to board members in lieu of cash compensation.
- o In November 2004 396,000 shares of common stock were issued for consulting services
- o In December 2004 225,000 shares of common stock were issued as consideration of extension of payment on the Note Payable to Riverview Financial
- o In December 2004 2,142,857 shares of common stock were issued to an officer as part of a private purchase agreement.
- o In December 2004 166,666 shares of common stock were issued to board members in lieu of cash compensation.
- o In January 2005 2,065,000 share of common stock were issued to settle lawsuit with Calvo family interests.
- o In February 2005 1,446,680 shares of common stock were issued to management in lieu of cash compensation.
- o In February 2005 320,000 shares of common stock were issued for consulting services.

### Item 3 - Defaults Open Senior Securities

None

### Item 4 - Submission of Matters to a Vote of Security Holders

None

### Item 5 - Other Information

None

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Item 6 - Exhibits and Reports on Form 8K (for the period 7/1/04 through 3/31/05)

On July 15, 2004 the Company filed a Current Report on Form 8K dated July 15, 2004 under Item 9 announcing its preliminary financial results for the year ending June 30, 2004.

On August 26, 2004 the Company filled a Current Report on Form 8K dated August 24, 2004 under Item 7.01 announcing the sudden death of the current Chief Financial Officer, Peter Jensen and the interim appointment of Will Dunlavy as Interim Chief Financial Officer.

On September 27, 2004 the Company filed a Current Report on Form 8K dated September 1, 2004 under Item 7.01 announcing the appointment of William Dunlavy as the new Chief Financial Officer and James Horton as the President and Chief Operating Officer.

On October 14, 2004 the Company filed a Current Report on Form 8K dated October 14, 2005 under Item 7.01 announcing substantial year-over-year improvement in its FY 20004 year end filing.

On November 18, 2004 the Company filed a Current Report on Form 8K dated November 18, 2004 under Item 7.01 announcing first quarter results showing a 20% increase in recurring revenues.

On April 21, 2005 the Company filed a Current Report on Form 8K dated April 21, 2005 under Item 7.01 announcing third quarter progress and new strategic alliances for increasing market penetration.

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|--------------|--|
| Exhibit 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbannes-Oxley Act of 2002.                     |
| Exhibit 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbannes-Oxley Act of 2002.                     |
| Exhibit 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbannes-Oxley Act of 2002. |
| Exhibit 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbannes-Oxley Act of 2002. |

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### SIGNATURES

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

PARK CITY GROUP, INC.

Date: May 16, 2005

By /s/ Randall K. Fields  
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Randall K. Fields,  
Chief Executive Officer & Chairman

Date: May 16, 2005

By /s/ William Dunlavy

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William Dunlavy,  
Chief Financial Officer