

PARK CITY GROUP INC

Form S-3

March 24, 2015

As filed with the U.S. Securities and Exchange Commission on March 24, 2015

Registration No. _____

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Park City Group, Inc.
(Exact Name of Registrant as Specified in its Charter)

Nevada (State or other jurisdiction of incorporation or organization)	7374 (Primary Standard Industrial Classification Code Number)	37-1454128 (I.R.S. Employer Identification No.)
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299 South Main Street, Suite 2370
Salt Lake City, UT 84111
(435) 645-2000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Edward L. Clissold
Chief Financial Officer, Secretary and General Counsel
299 South Main Street, Suite 2370
Salt Lake City, UT 84111
(435) 645-2000

(Name, address, including zip code, and telephone number, including area code, of agent for service for Registrant)

with copies to:
Daniel W. Rumsey, Esq.
Jessica R. Sudweeks, Esq.
Disclosure Law Group

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600 W. Broadway, Suite 700
San Diego, CA 92101
(619) 795-1134

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Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with the dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment hereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. []

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. []

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. (Check one):

Large accelerated filer	[]	Accelerated filer	[X]
Non-accelerated filer	[]	Smaller reporting company	[]

(Do not check if a smaller reporting company)

The Registrant submits this Registration Statement pursuant to General Instruction I.B.1 to Form S-3. As of March 24, 2015, the aggregate market value of the Registrant's outstanding common stock held by non-affiliates was approximately \$144.0 million, based on 10,224,830 shares of the Registrant's outstanding common stock held by non-affiliates as of such date at a price per share of \$14.09, the closing price of the Registrant's common stock on March 23, 2015.

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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(2)(3)
Common Stock, par value \$0.01 per share	1,000,000	\$ 14,015,000	\$ 1,628.54

(1) The proposed maximum aggregate offering price will be determined from time to time by the Registrant in connection with the issuance by the Registrant of the securities registered hereunder, and is not specified pursuant to General Instruction II.D of Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to Rule 416 under the Securities Act, the registrant is also registering such additional indeterminate number of shares of common stock as may become issuable as a result of stock splits, stock dividends or similar transactions.

(2) Based upon the average of the high and low prices of our common stock reported on the NASDAQ Capital Market on March 23, 2015, pursuant to Rule 457(c) of the Securities Act.

(3) Amount calculated pursuant to Section 6(b) under the Securities Act.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

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We will amend and complete the information in this prospectus. We may not sell any of these securities or accept your offer to buy any of them until the documentation filed with the SEC relating to these securities has been declared “effective” by the SEC. This prospectus is not an offer to sell these securities or our solicitation of your offer to buy these securities in any State or other jurisdiction where that would not be permitted or legal.

SUBJECT TO COMPLETION, DATED _____, 2015

PROSPECTUS

1,000,000 Shares

Common Stock

By this prospectus and accompanying prospectus supplements, we may, from time to time, offer and sell, in one or more offerings, up to 1.0 million shares of our common stock. We will offer the common stock in amounts, at prices and on terms to be determined by market conditions at the time of the offering.

We will provide the specific price and number of shares of common stock issued in supplements to this prospectus. You should read this prospectus and the accompanying prospectus supplement carefully before you invest.

Our common stock is listed on NASDAQ Capital Market under the symbol “PCYG.”

We may offer and sell the common stock to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis.

You should refer to the risk factors that may be included in a prospectus supplement and in our periodic reports and other information we file with the Securities and Exchange Commission, and you should carefully consider that information before investing in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities offered or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2015.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we have filed with the Securities and Exchange Commission, or the SEC (“SEC”), using a "shelf" registration process. Under this shelf registration process, we may sell, in one or more offerings, up to 1.0 million shares of our common stock. This prospectus provides you with a general description of us and the securities offered under this prospectus.

You should rely only on the information that we have provided or incorporated by reference in this prospectus, any applicable prospectus supplement and any related free writing prospectus that we may authorize to be provided to you. We have not authorized anyone to provide you with different information. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus that we may authorize to be provided to you. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus, any applicable prospectus supplement or any related free writing prospectus is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus, any applicable prospectus supplement or any related free writing prospectus, or any sale of a security.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by reference to the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under the heading "Where You Can Find More Information."

The words “we,” “our,” “us,” “the Company,” “Park City Group,” and “Registrant” refer to Park City Group, Inc., unless indicate otherwise.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Form S-3 that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1943, as amended. These include statements about the Company's expectations, beliefs, intentions or strategies for the future, which are indicated by words or phrases such as "anticipate", "expect", "intend", "plan", "will", "the Company believes", "management believes" and similar words or phrases. The forward-looking statements are based on the Company's current expectations and are subject to certain risks, uncertainties and assumptions. The Company's actual results could differ materially from results anticipated in these forward-looking statements. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before buying our common stock. You should read the following summary together with the more detailed information appearing in this prospectus, including our risk factors beginning on page 4, before deciding whether to make an investment in our Company.

Unless the context otherwise requires, we use the terms “Park City Group,” the “Company,” “we,” “us” and “our” in this prospectus to refer to Park City Group, Inc. and its subsidiaries on a consolidated basis.

Overview

We are 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

ReposiTrak Letter of Intent

On February 5, 2015, the Company entered into a Letter of Intent (the "LOI") with Leavitt Partners, LP and LP Special Asset 4, LLC (together, "Leavitt") to acquire 346,668 shares of capital stock of ReposiTrak, Inc. ("ReposiTrak") owned by Leavitt in consideration for the issuance to Leavitt of 537,439 restricted shares of the Company's common stock. In addition, the Company has entered into similar agreements with other stockholders of ReposiTrak to acquire the remaining outstanding shares of capital stock of ReposiTrak. In total, upon closing of the transactions contemplated by the LOI and the related agreements, the Company intends to issue 873,437 restricted shares of the Company's common stock in exchange for all of the outstanding shares of capital stock of ReposiTrak ("ReposiTrak Shares").

The LOI has certain binding and non-binding obligations, including the purchase price, which is not subject to adjustment. However, the transaction is subject to various conditions to closing, including the Company's satisfactory completion of due diligence, compliance with certain rules and regulations, and approval of definitive agreements.

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Series B Restructuring

On February 4, 2015, the holders of the Company's Series B Convertible Preferred Stock ("Series B Preferred"), consisting of the Chief Executive Officer, his spouse, and a director (the "Holders"), entered into a restructuring agreement (the "Restructuring Agreement") pursuant to which the Holders consented to the amendment to the Certificate of Designation of the Relative Rights, Powers and Preference of the Series B Preferred (the "Series B Amendment") (the "Series B Restructuring"), resulting in the following: (i) the rate at which the Series B Preferred accrues dividends was decreased from 15% per annum (which interest rate increases to 18% on July 1, 2015) to 7% per annum if paid by the Company in cash, or 9% if paid by the Company in PIK Shares (as defined below); (ii) the Company may elect to pay accrued dividends on outstanding shares of Series B Preferred in either cash or by the issuance of additional shares of Series B Preferred ("PIK Shares"); (iii) the conversion feature of the Series B Preferred has been eliminated; and (iv) the number of shares of the Company's preferred stock designated as Series B Preferred has been increased from 600,000 to 900,000 shares to provide for the potential issuance of PIK Shares. In consideration for the Series B Restructuring, the Company proposed to issue to the Holders: (y) an aggregate total of 214,197 additional shares of Series B Preferred, which shares have a stated value equal to the amount that, but for the Series B Restructuring, would have been paid to the Holders as dividends over the next five years ("Additional Shares"); and (z) five-year warrants to purchase an aggregate total of 1,029,818 shares of common stock for \$4.00 per share ("Series B Warrants"), an amount and per share purchase price equal to what the Holders would otherwise be entitled to receive upon conversion of their shares of Series B Preferred ("Warrant Shares").

To address issues raised by the NASDAQ Stock Market regarding the Series B Restructuring and the issuances of the Additional Shares and Series B Warrants to the Holders, the Company's Board of Directors have proposed to modify the terms of the Series B Restructuring as follows: (i) amend the First Series B Amendment (the "Second Series B Amendment"), to (x) reduce the number of shares of the Company's preferred stock designated thereunder from 900,000 to 600,000, (y) require that, should the Company pay dividends on the Series B Preferred in PIK Shares, shares of a newly created non-voting, non-convertible Series B-1 Preferred Stock shall be issued, rather than shares of Series B Preferred, and (z) in the event any Holder elects to exercise a Series B Warrant, one share of Series B Preferred will be automatically converted into one share of Series B-1 Preferred for every 2.5 Warrant Shares received by such Holder; and (ii) amend the Restructuring Agreement to substitute the Additional Shares for shares of Series B-1 Preferred. The Second Series B Amendment is currently under review by the NASDAQ Stock Market.

THE OFFERING

Issuer	Park City Group, Inc.
Sellers	This prospectus relates to the sale by us of shares of our common stock.
Securities Offered	Up to 1.0 million in shares of our common stock to be sold by us from time to time. The prices at which we may sell our common stock will be determined by the prevailing market price for the shares or in negotiated transactions.
Exchange	Our common stock is quoted on the NASDAQ Capital Market under the symbol "PCYG".
Risk Factors	Investing in our common stock involves significant risk. See "Risk Factors" for a discussion of the risks

associated with an investment in our common stock.

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 prospectus, 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 \$540,876 during the quarter ended December 31, 2014 and \$2,490,145 for the year ended June 30, 2014, compared to a net loss of \$550,085 during the quarter ended December 31, 2013 and 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.

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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 ReposiTrak™. This may result in material delays and even result in a termination of the ReposiTrak™ engagement;

the customer's experience with ReposiTrak™ 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 ReposiTrak™ 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 ReposiTrak™ or other new products for a new customer will negatively affect the Company's cash flow and its ability to predict cash flow.

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ReposiTrak owes certain fees to the Company under the current contractual relationship between the Company and ReposiTrak, resulting in ReposiTrak issuing the Company promissory notes in order to make required payments, totaling approximately \$4.2 million at December 31, 2014.

Under the terms of the Omnibus Subscription, Management and Option Agreement by and between the Company, ReposiTrak and Levitt (the "Omnibus Agreement"), and in consideration for a warrant to acquire the majority interest in ReposiTrak, effective June 30, 2013, the Company accepted from ReposiTrak 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 ReposiTrak, dated April 1, 2012. The Company purchased additional notes from ReposiTrak in the aggregate principal amounts of approximately \$1.2 million and \$1.1 million during the year ended June 30, 2014 and six months ended December 31, 2014, respectively. The current amount of the outstanding notes from ReposiTrak, including interest accrued on the notes, is approximately \$4.2 million. ReposiTrak 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 15% of our subscription revenue and 41% of our other revenue during the quarter ended December 31, 2014 was attributable to ReposiTrak. In the event the market for ReposiTrak's services fails to develop as anticipated, or ReposiTrak 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 \$714,000 and \$2.3 million in subscription and management fees from ReposiTrak during the period ended December 31, 2014 and the year ended June 30, 2014, which was 15% and 20% of total subscription revenue, respectively. Of the \$663,000 in fees paid to us during the quarter ended December 31, 2014 by ReposiTrak, approximately \$663,000 was paid by ReposiTrak in cash from proceeds of promissory notes purchased by the Company. In the event the market for ReposiTrak's services fails to develop as anticipated, or ReposiTrak is otherwise unable to execute its business plan, the Company's financial results, including its financial condition, may be adversely 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;

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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.