

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from _____ to _____.

Commission File Number 001-34941

REPOSITRAK, INC.

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

Nevada

(State or other jurisdiction of incorporation or organization)

37-1454128

(IRS Employer Identification No.)

5282 South Commerce Drive, Suite D292, Murray, Utah 84107

(Address of principal executive offices)

(435) 645-2000

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common stock, par value \$0.01 per share

TRAK

New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of November 14, 2024, 18,260,982 shares of the registrant's common stock, \$0.01 par value, were issued and outstanding.

REPOSITRAK, INC.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REPOSITRAK, INC.
Consolidated Condensed Balance Sheets (Unaudited)

| | September 30, 2024 | June 30, 2024 |
|---|-------------------------------|--------------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 25,790,206 | \$ 25,153,862 |
| Receivables, net of allowance for doubtful accounts of \$ 215,480 and \$ 227,573 at September 30, 2024 and June 30, 2024, respectively | 3,297,932 | 3,678,627 |
| Contract asset – unbilled current portion | 671,763 | 181,680 |
| Prepaid expense and other current assets | 332,018 | 285,998 |
| Total Current Assets | 30,091,919 | 29,300,167 |
| Property and equipment, net | 675,721 | 513,277 |
| Other Assets: | | |
| Deposits and other assets | 22,414 | 22,414 |
| Prepaid expense – less current portion | 2,218 | 2,609 |
| Contract asset – unbilled long-term portion | - | 108,052 |
| Operating lease – right-of-use asset | 234,729 | 250,306 |
| Customer relationships | 98,550 | 131,400 |
| Goodwill | 20,883,886 | 20,883,886 |
| Capitalized software costs, net | 320,518 | 384,621 |
| Total Other Assets | 21,562,315 | 21,783,288 |
| Total Assets | \$ 52,329,955 | \$ 51,596,732 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 331,755 | \$ 265,086 |
| Accrued liabilities | 1,286,725 | 1,554,775 |
| Contract liability – deferred revenue | 2,585,019 | 2,441,234 |
| Operating lease liability – current | 65,452 | 64,076 |
| Notes payable and financing leases – current | 188,425 | 217,971 |
| Total current liabilities | 4,457,376 | 4,543,142 |
| Long-term Liabilities | | |
| Operating lease liability – less current portion | 182,085 | 198,972 |
| Notes payable and financing leases – less current portion | 165,735 | - |
| Total Liabilities | 4,805,196 | 4,742,114 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred Stock; \$0.01 par value, 30,000,000 shares authorized; Series B Preferred, 700,000 shares authorized; 546,377 and 616,470 shares issued and outstanding at September 30, 2024 and June 30, 2024, respectively | 5,464 | 6,165 |
| Common Stock, \$0.01 par value, 50,000,000 shares authorized; 18,246,090 and 18,234,893 and issued and outstanding at September 30, 2024 and June 30, 2024, respectively | 182,463 | 182,351 |
| Additional paid-in capital | 64,085,398 | 64,655,902 |
| Accumulated other comprehensive loss | 6,696 | (27,390) |
| Accumulated deficit | (16,755,262) | (17,962,410) |
| Total Stockholders' equity | 47,524,759 | 46,854,618 |
| Total Liabilities and Stockholders' equity | \$ 52,329,955 | \$ 51,596,732 |

See accompanying notes to consolidated condensed financial statements.

REPOSITRAK, INC.
Consolidated Condensed Statements of Operations and Comprehensive Income (Unaudited)

| | Three Months Ended September 30, | |
|---|-------------------------------------|---------------------|
| | 2024 | 2023 |
| Revenue | \$ 5,441,142 | \$ 5,060,112 |
| Operating expense: | | |
| Cost of revenue and product support | 859,219 | 766,334 |
| Sales and marketing | 1,529,100 | 1,505,501 |
| General and administrative | 1,292,551 | 1,279,323 |
| Depreciation and amortization | 280,211 | 308,945 |
| Total operating expense | <u>3,961,081</u> | <u>3,860,103</u> |
| Income from operations | 1,480,061 | 1,200,009 |
| Other income (expense): | | |
| Interest income | 349,533 | 258,161 |
| Interest expense | (10,172) | (6,344) |
| Unrealized gain (loss) on short term investments | (4,267) | 27,186 |
| Income before income taxes | <u>1,815,155</u> | <u>1,479,012</u> |
| (Provision) for income taxes: | (150,000) | (100,464) |
| Net income | <u>1,665,155</u> | <u>1,378,548</u> |
| Dividends on preferred stock | (107,882) | (146,611) |
| Net income applicable to common shareholders | <u>\$ 1,557,273</u> | <u>\$ 1,231,937</u> |
| Weighted average shares, basic | 18,244,000 | 18,225,000 |
| Weighted average shares, diluted | 19,102,000 | 18,839,000 |
| Basic income per share | <u>\$ 0.09</u> | <u>\$ 0.07</u> |
| Diluted income per share | <u>\$ 0.08</u> | <u>\$ 0.07</u> |
| Comprehensive income: | | |
| Net income | \$ 1,665,155 | \$ 1,378,548 |
| Other comprehensive gain: | | |
| Unrealized gain on available-for-sale securities | 34,086 | - |
| Total comprehensive income | <u>\$ 1,699,241</u> | <u>\$ 1,378,548</u> |

See accompanying notes to consolidated condensed financial statements.

REPOSITRAK, INC.
Consolidated Condensed Statements of Cash Flows (Unaudited)

| | Three Months Ended September 30, | |
|---|---|----------------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net income | \$ 1,665,155 | \$ 1,378,548 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 280,211 | 308,945 |
| Amortization of operating right of use asset | 15,577 | 14,829 |
| Stock compensation expense | 150,000 | 85,375 |
| Bad debt expense | 100,044 | 75,000 |
| (Increase) decrease in: | | |
| Accounts receivables | (259,388) | (547,809) |
| Long-term receivables, prepaids and other assets | 6,455 | 216,340 |
| Increase (decrease) in: | | |
| Accounts payable | 66,669 | (116,499) |
| Operating lease liability | (15,511) | (57,164) |
| Accrued liabilities | (284,097) | (14,218) |
| Deferred revenue | 143,785 | 177,423 |
| Net cash provided by operating activities | 1,868,900 | 1,520,770 |
| Cash flows from investing activities: | | |
| Sale of marketable securities | 34,086 | - |
| Net cash provided by investing activities | 34,086 | - |
| Cash flows from financing activities: | | |
| Common Stock buyback/retirement | - | (1,322,082) |
| Redemption of Series B Preferred | (749,995) | - |
| Proceeds from employee stock plan | 59,852 | 57,743 |
| Dividends paid | (422,954) | (421,248) |
| Payments on notes payable and capital leases | (153,545) | (128,834) |
| Net cash used in financing activities | (1,266,642) | (1,814,421) |
| Net increase (decrease) in cash and cash equivalents | 636,344 | (293,651) |
| Cash and cash equivalents at beginning of period | 25,153,862 | 23,990,879 |
| Cash and cash equivalents at end of period | \$ 25,790,206 | \$ 23,697,228 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income taxes | \$ 312,098 | \$ 221,661 |
| Cash paid for interest | \$ 2,005 | \$ 2,329 |
| Cash paid for operating leases | \$ 18,686 | \$ 18,141 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Common stock to pay accrued liabilities | \$ 69,985 | \$ 37,500 |
| Dividends accrued on preferred stock | \$ 107,882 | \$ 146,611 |
| Right-of-use asset | \$ 289,734 | \$ - |

See accompanying notes to consolidated condensed financial statements.

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REPOSITRAK, INC.
Consolidated Condensed Statements of Stockholders' Equity (Deficit) (Unaudited)

Three months Ended September 30, 2024

| | Series B Preferred Stock | | Series B-1 Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Gain/Loss | Total |
|----------------------------------|-----------------------------|----------|-------------------------------|--------|--------------|------------|----------------------------------|------------------------|--|---------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance, June 30, 2024 | 616,470 | \$ 6,165 | - | \$ - | 18,234,893 | \$ 182,351 | \$ 64,655,902 | \$ (17,962,410) | \$ (27,390) | \$ 46,854,618 |
| Stock issued for: | | | | | | | | | | |
| Accrued compensation | - | - | - | - | 5,705 | 57 | 69,928 | - | - | 69,985 |
| Employee stock plan | - | - | - | - | 5,492 | 55 | 59,797 | - | - | 59,852 |
| Stock buyback | - | - | - | - | - | - | - | - | - | - |
| Preferred Stock redemption | (70,093) | (701) | - | - | - | - | (700,229) | (49,065) | - | (749,995) |
| Preferred Dividends- Declared | - | - | - | - | - | - | - | (107,882) | - | (107,882) |
| Common Stock | | | | | | | | | | |
| Dividends-Declared | - | - | - | - | - | - | - | (301,060) | - | (301,060) |
| Net income | - | - | - | - | - | - | - | 1,665,155 | - | 1,665,155 |
| Other comprehensive gain | - | - | - | - | - | - | - | - | 34,086 | 34,086 |
| Balance, September 30, 2024 | 546,377 | \$ 5,464 | - | \$ - | 18,246,090 | \$ 182,463 | \$ 64,085,398 | \$ (16,755,262) | \$ 6,696 | \$ 47,524,759 |

Three months Ended September 30, 2023

| | Series B Preferred Stock | | Series B-1 Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Gain/Loss | Total |
|----------------------------------|-----------------------------|----------|-------------------------------|----------|--------------|------------|----------------------------------|------------------------|--|---------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance, June 30, 2023 | 625,375 | \$ 6,254 | 212,402 | \$ 2,124 | 18,309,051 | \$ 183,093 | \$ 67,732,887 | \$ (22,042,427) | - | \$ 45,881,931 |
| Stock issued for: | | | | | | | | | | |
| Accrued compensation | - | - | - | - | 3,716 | 37 | 37,463 | - | - | 37,500 |
| Employee stock plan | - | - | - | - | 13,326 | 133 | 57,610 | - | - | 57,743 |
| Stock buyback | - | - | - | - | (155,025) | (1,550) | (1,320,532) | - | - | (1,322,082) |
| Preferred Dividends- Declared | - | - | - | - | - | - | - | (146,611) | - | (146,611) |
| Common Stock | | | | | | | | | | |
| Dividends-Declared | - | - | - | - | - | - | - | (272,566) | - | (272,566) |
| Net income | - | - | - | - | - | - | - | 1,378,548 | - | 1,378,548 |
| Balance, September 30, 2023 | 625,375 | \$ 6,254 | 212,402 | \$ 2,124 | 18,171,068 | \$ 181,713 | \$ 66,507,428 | \$ (21,083,056) | - | \$ 45,614,463 |

See accompanying notes to consolidated condensed financial statements.

REPOSITRAK, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. OVERVIEW OF OPERATIONS AND BASIS FOR PRESENTATION

Overview

ReposiTrak, Inc., a Nevada corporation ("ReposiTrak", "We", "us", "our" or the "Company") is a Software-as-a-Service ("SaaS") which operates a business-to-business ("B2B") e-commerce, compliance & traceability, and supply chain management platform that partners with retailers, wholesalers, distributors and their product suppliers to (a) help them manage specific programs, such as out-of-stock management and scan-based trading; (b) reduce risk in their supply chain by managing compliance documents and data; ensure compliance with new regulatory requirements supporting traceability; and (c) improve product ordering and forecasting in order to accelerate sales, control risks, and improve supply chain efficiencies.

The Company's services are grouped in three application suites:

1. **ReposiTrak Compliance Management** ("Compliance") solutions, which helps the Company's customers vet suppliers and reduce a company's potential regulatory, legal, and criminal risk from its supply chain partners by providing a way for them to ensure these suppliers are compliant with food safety regulations, such as the Food Safety Modernization Act of 2011 ("FSMA");
2. **ReposiTrak Traceability Network** ("Traceability" or "RTN"), which helps the Company's customers comply with federal regulatory requirements of traceability and provides the lowest cost, easiest to use way to manage the capture and sharing of key data elements ("KDEs") now required by Section 204d of FSMA 2011 as designated products move through the supply chain at each 'event' known as a 'critical tracking event' or "CTE", which includes tracking from farm to shelf; and
3. **ReposiTrak Supply Chain Solutions** ("Supply Chain"), which help the Company's customers to more efficiently manage various interactions with their suppliers. In other words, it provides customers with greater flexibility in sourcing products by enabling them to choose new suppliers and integrate them into their supply chain faster and more cost effectively, and it helps them to manage these relationships more efficiently, enhancing revenue while lowering working capital, labor costs and reducing waste.

The Company's services are delivered through proprietary software products designed, developed, marketed and supported by the Company. These products provide visibility and facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving backwards to suppliers and eventually to raw material providers.

The Company provides cloud-based applications and services that address e-commerce, supply chain, food safety, compliance and traceability activities. The principal customers for the Company's products are household name multi-store food retail chains and restaurants including their suppliers, branded food manufacturers, food wholesalers and distributors, and other food service businesses.

The Company has a hub and spoke business model. The Company is typically engaged by retailers and wholesalers ("Hubs"), which in turn require their suppliers ("Spokes") to utilize the Company's services.

On December 21, 2023, the Company effected a change of its corporate name from Park City Group, Inc. to ReposiTrak, Inc. The Company is incorporated in the State of Nevada and has two principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned) ("PCG Utah"), and Park City Group, Inc., a Delaware corporation (100% owned) ("PCG Delaware" and together with PCG Utah, the "Subsidiaries"). All intercompany transactions and balances have been eliminated in the Company's consolidated financial statements, which contain the Company's results from operations. The Company has no business operations separate from the operations conducted through its Subsidiaries.

The Company's principal executive offices are located at 5282 South Commerce Drive, Suite D292, Murray, Utah 84107. Its telephone number is (435) 645-2000. Its website address is www.repositrak.com.

Basis of Financial Statement Presentation

The interim financial information of the Company as of September 30, 2024 and for the three months ended September 30, 2024 is unaudited, and the balance sheet as of June 30, 2024 is derived from audited financial statements. The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial statements. Accordingly, they omit or condense notes and certain other information normally included in financial statements prepared in accordance with U.S. GAAP. The accounting policies followed for quarterly financial reporting conform with the accounting policies disclosed in the Notes to Financial Statements included in our Annual Report on Form 10-K for the year ended June 30, 2024. In the opinion of management, all adjustments necessary for a fair presentation of the financial information for the interim periods reported have been made. All such adjustments are of a normal recurring nature. The results of operations for the three months ended September 30, 2024 are not necessarily indicative of the results that can be expected for the fiscal year ending June 30, 2024. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended June 30, 2024.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements presented herein reflect the consolidated financial position of ReposiTrak, Inc. and our subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 U.S. Securities and Exchange Commission ("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 because of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company's most critical accounting policies include revenue recognition, goodwill, other long-lived asset valuations, income taxes, stock-based compensation, and capitalization of software development costs.

Revenue Recognition

The Company recognizes revenue as it transfers control of deliverables (products, solutions and services) to its customers in an amount reflecting the consideration to which it expects to be entitled. To recognize revenue, the Company applies the following five step approach: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when a performance obligation is satisfied. The Company accounts for a contract based on the terms and conditions the parties agree to, if the contract has commercial substance and if collectability of consideration is probable. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience.

The Company may enter into arrangements that consist of multiple performance obligations. Such arrangements may include any combination of its deliverables. To the extent a contract includes multiple promised deliverables, the Company applies judgment to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations, the Company allocates consideration among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which the Company would sell a promised good or service separately to the customer. When not directly observable, the Company typically estimates standalone selling price by using the expected cost plus a margin approach. The Company typically establishes a standalone selling price range for its deliverables, which is reassessed on a periodic basis or when facts and circumstances change.

For performance obligations where control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the deliverables to be provided. Revenue related to fixed-price contracts for application development and systems integration services, consulting or other technology services is recognized as the service is performed using the output method, under which the total value of revenue is recognized based on each contract's deliverable(s) as they are completed and when value is transferred to a customer. Revenue related to fixed-price application maintenance, testing and business process services is recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in FASB ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"), paragraph 606-10-55-18 ("ASC 606-10-55-18").

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If the Company's invoicing is not consistent with the value delivered, revenue is recognized as the service is performed based on the method described above. The output method measures the results achieved and value transferred to a customer, which is updated as the project progresses to reflect the latest available information; such estimates and changes in estimates involve the use of judgment. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known and any anticipated losses on contracts are recognized immediately. Revenue related to fixed-price hosting and infrastructure services is recognized based on the Company's right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in ASC 606-10-55-18. If the Company's invoicing is not consistent with value delivered, revenue is recognized on a straight-line basis unless revenue is earned and obligations are fulfilled in a different pattern. The revenue recognition method applied to the types of contracts described above provides the most faithful depiction of performance towards satisfaction of the Company's performance obligations.

Revenue related to the Company's software license arrangements that do not require significant modification or customization of the underlying software is recognized when the software is delivered as control is transferred at a point in time. For software license arrangements that require significant functionality enhancements or modification of the software, revenue for the software license and related services is recognized as the services are performed in accordance with the methods described above. In software hosting arrangements, the rights provided to the customer, such as ownership of a license, contract termination provisions and the feasibility of the client to operate the software, are considered in determining whether the arrangement includes a license or a service. Revenue related to software maintenance and support is generally recognized on a straight-line basis over the contract period.

Management expects that incremental commission fees paid as a result of obtaining a contract are recoverable and therefore the Company capitalized them as contract costs. The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Revenue related to transaction-based or volume-based contracts is recognized over the period the services are provided in a manner that corresponds with the value transferred to the customer to-date relative to the remaining services to be provided.

From time to time, the Company may enter into arrangements with third party suppliers to resell products or services. In such cases, the Company evaluates whether the Company is the principal (i.e., report revenue on a gross basis) or agent (i.e., report revenue on a net basis). In doing so, the Company first evaluates whether it controls the good or service before it is transferred to the customer. If the Company controls the good or service before it is transferred to the customer, the Company is the principal; if not, the Company is the agent. Determining whether the Company controls the good or service before it is transferred to the customer may require judgment.

The Company provides customers with assurance that the related deliverable will function as the parties intended because it complies with agreed-upon specifications. General updates or patch fixes are not considered an additional performance obligation in the contract.

Variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration to which we may be entitled. The Company includes in the transaction price variable consideration only to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and is based largely on an assessment of its anticipated performance and all information that is reasonably available to the Company.

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The Company assesses the timing of the transfer of goods or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing its services, not to receive or provide financing from or to customers. The Company does not consider set up or transition fees paid upfront by its customers to represent a financing component, as such fees are required to encourage customer commitment to the project and protect us from early termination of the contract.

Trade Accounts Receivable and Contract Balances

We classify our right to consideration in exchange for deliverables as either a receivable or a contract asset (unbilled receivable). A receivable is a right to consideration that is unconditional (i.e. only the passage of time is required before payment is due). For example, we recognize a receivable for revenue related to our transaction or volume-based contracts when earned regardless of whether amounts have been billed. We present such receivables in trade accounts receivable, net in our consolidated statements of financial position at their net estimated realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables, judgment, and other applicable factors.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are presented in current and other assets in our consolidated balance sheets and primarily relate to unbilled amounts on fixed-price contracts utilizing the output method of revenue recognition. The table below shows movements in contract assets:

| | Contract assets |
|---|---------------------------------|
| Balance – June 30, 2024 | \$ 289,732 |
| Revenue recognized during the period but not billed | 406,799 |
| Amounts reclassified to accounts receivable | - |
| Other | (24,768) |
| Balance – September 30, 2024 | \$ 671,763⁽¹⁾ |

(1) Contract asset balances for September 30, 2024 include a current and a long-term contract asset of \$ 671,763 and \$0, respectively.

Our contract assets and liabilities are reported at the end of each reporting period. The difference between the opening and closing balances of our contract assets and deferred revenue primarily results from the timing difference between our performance obligations and the customer's payment. We receive payments from customers based on the terms established in our contracts, which may vary generally by contract type.

The table below shows movements in the deferred revenue balances (current and noncurrent) for the period:

| | Contract liability |
|---|---------------------------|
| Balance – June 30, 2024 | \$ 2,441,234 |
| Amounts billed but not recognized as revenue | 821,327 |
| Revenue recognized related to the opening balance of deferred revenue | (677,542) |
| Balance – September 30, 2024 | \$ 2,585,019 |

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The difference between the opening and closing balances of our contract assets and deferred revenue primarily results from the timing difference between our performance obligations and the customer's payment. We receive payments from customers based on the terms established in our contracts, which may vary generally by contract type.

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Disaggregation of Revenue

The table below presents disaggregated revenue from contracts with customers by contract-type. We believe this disaggregation best depicts the nature, amount, timing and uncertainty of our revenue and cash flows that may be affected by industry, market, and other economic factors:

| | Three Months Ended September 30, | |
|---|-------------------------------------|---------------------|
| | 2024 | 2023 |
| Recurring revenue – subscription and support services | \$ 5,353,817 | \$ 5,046,685 |
| Non-recurring revenue – setup and training services | 87,325 | 13,427 |
| | <u>\$ 5,441,142</u> | <u>\$ 5,060,112</u> |

Earnings Per Share

Basic net income per share of our common stock, \$ 0.01 par value ("Common Stock") ("Basic EPS") excludes dilution and is computed by dividing net income applicable to Common Stockholders by the weighted average number of Common Stock outstanding during the period. Diluted net income per share of Common Stock ("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 antidilutive effect on net income per share of Common Stock.

For the three months ended September 30, 2024 and 2023, warrants to purchase 0 and 23,737 shares of our Common Stock at an exercise price of \$10.00 per share were anti-dilutive and not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average price of Common Stock for the quarter.

The following table presents the components of the computation of basic and diluted earnings per share for the periods indicated:

| | Three Months Ended September 30, | |
|---|-------------------------------------|-------------------|
| | 2024 | 2023 |
| Numerator | | |
| Net income applicable to common shareholders | \$ 1,557,273 | \$ 1,231,937 |
| Denominator | | |
| Weighted average common shares outstanding, basic | 18,244,000 | 18,225,000 |
| Warrants to purchase Common Stock | 858,000 | 614,000 |
| Weighted average common shares outstanding, diluted | <u>19,102,000</u> | <u>18,839,000</u> |
| Net income per share | | |
| Basic | \$ 0.09 | \$ 0.07 |
| Diluted | \$ 0.08 | \$ 0.07 |

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications have no impact on the previously reported results.

NOTE 3. EQUITY

| | Restricted Stock Units | Weighted Average Grant Date Fair Value (\$/share) |
|-----------------------------------|-------------------------------|--|
| Outstanding at June 30, 2024 | 853,144 | \$ 5.37 |
| Granted | - | - |
| Vested and issued | (3,253) | 9.99 |
| Forfeited | - | - |
| Outstanding at September 30, 2024 | 849,891 | \$ 5.35 |

As of September 30, 2024, there were zero restricted stock units outstanding that had vested but for which shares of Common Stock had not yet been issued pursuant to the terms of the applicable agreement.

As of September 30, 2024, there was approximately \$4.6 million of unrecognized stock-based compensation obligations under our equity compensation plans. The stock-based compensation obligation is in connection with certain employment agreements which have a deferral option at the Board's discretion. At the end of the deferral period, the stock-based compensation expense associated with the obligation is expected to be recognized on a straight-line basis over a period of three years.

Warrants

Outstanding warrants were issued in connection with private placements of the Company's Common Stock and with the restructuring of the Series B Preferred that occurred in March of 2018. The following table summarizes information about fixed stock warrants outstanding at September 30, 2024:

| Warrants Outstanding at September 30, 2024 | | | Warrants Exercisable at September 30, 2024 | | |
|---|---------------------------|--|---|---------------------------|--|
| Range of exercise prices | Number Outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| \$ 4.00 | 1,085,068 | 1.35 | \$ 4.00 | 1,085,068 | \$ 4.00 |
| \$ 10.00 | 23,737 | 1.32 | \$ 10.00 | 23,737 | \$ 10.00 |
| | 1,108,805 | 1.35 | \$ 4.13 | 1,108,805 | \$ 4.13 |

During the quarter ended March 31, 2023, the Company's Board of Directors approved the modification to extend the expiration dates of the Company's existing January 26, 2023 and February 5, 2023 warrants by an additional three years. Accordingly, all the Company's outstanding warrants have been extended and are anticipated to expire or be exercised on or before the quarter ending March 31, 2026.

Preferred Stock

The Company's articles of incorporation currently authorize the issuance of up to 30,000,000 shares of 'blank check' preferred stock, par value \$0.01 ("Preferred Stock"), with designations, rights, and preferences as may be determined from time to time by the Company's Board of Directors, of which 700,000 shares are currently designated as Series B Preferred Stock ("Series B Preferred") and 550,000 shares are designated as Series B-1 Preferred Stock ("Series B-1 Preferred"). Both classes of Series B Preferred Stock pay dividends at a rate of 7% per annum if paid by the Company in cash, or 9% if paid by the Company by the issuance of additional shares of Series B-1 Preferred, or Series B-1 Preferred, as applicable.

Preferred Redemption

Section 4 of the Company's First Amended and Restated Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock, as amended (the "Series B-1 COD") provides the Company's Board of Directors with the right to redeem any or all of the outstanding shares of the Company's Series B-1 Preferred for a cash payment of \$10.70 per share at any time upon providing the holders of Series B-1 Preferred at least ten days written notice that sets forth the date on which the redemption will occur (the "Redemption Notice").

On August 29, 2023, the Board approved the redemption and retirement of its Series B Preferred and Series B-1 Preferred for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214 (the "Preferred Redemption"). The Preferred Redemption is to occur over a three-year period beginning August 29, 2023.

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As of September 30, 2024, a total of 546,377 shares of Series B Preferred and 0 shares of Series B-1 Preferred were issued and outstanding. Since inception, a total of 291,400 Preferred shares at the redemption price of \$ 10.70 per share have been redeemed for a total of \$ 3,117,980.

The following table provides information about the redemption and retirement of the Series B Preferred during the year ended June 30, 2024 and three months ended September 30, 2024:

| Period (1) | Series B Preferred | | | | Remaining Amount Available for Future Preferred Redemption |
|--------------------------------------|---------------------------------|----------------------|---|---------------------|--|
| | Total Number of Shares Redeemed | Price Paid Per Share | Dollars Expended by Period under the Preferred Redemption | | |
| July 1, 2023 – September 30, 2023: | - | \$ 10.70 | \$ - | \$ 6,691,513 | |
| October 1, 2023 – December 31, 2023: | - | \$ 10.70 | \$ - | \$ 6,691,513 | |
| January 1, 2024 – March 31, 2024: | - | \$ 10.70 | \$ - | \$ 6,691,513 | |
| April 1, 2024 – June 30, 2024: | 8,905 | \$ 10.70 | \$ 95,284 | \$ 6,596,229 | |
| Total | 8,905 | | \$ 95,284 | \$ 6,596,229 | |
| July 1, 2024 – September 30, 2024: | 70,093 | \$ 10.70 | \$ 749,995 | \$ 5,846,234 | |
| Total | 70,093 | | \$ 749,995 | \$ 5,846,234 | |

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

The following table provides information about the redemption and retirement of the Series B-1 Preferred during the year ended June 30, 2024:

| Period (1) | Series B-1 Preferred | | | | Remaining Amount Available for Future Preferred Redemption |
|--------------------------------------|---------------------------------|----------------------|---|--------------|--|
| | Total Number of Shares Redeemed | Price Paid Per Share | Dollars Expended by Period under the Preferred Redemption | | |
| July 1, 2023 – September 30, 2023: | - | \$ 10.70 | \$ - | \$ - | |
| October 1, 2023 – December 31, 2023: | 70,093 | \$ 10.70 | \$ 749,995 | \$ 1,522,706 | |
| January 1, 2024 – March 31, 2024: | 70,093 | \$ 10.70 | \$ 749,995 | \$ 772,711 | |
| April 1, 2024 – June 30, 2024: | 72,216 | \$ 10.70 | \$ 772,711 | \$ - | |
| Total | 212,402 | | \$ 2,272,701 | \$ - | |

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

Share Repurchase Program

On May 9, 2019, our Board of Directors approved the repurchase of up to \$ 4.0 million in shares of our Common Stock, which repurchases may be made in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices (the "Share Repurchase Program"). Under the Share Repurchase Program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable laws and regulations, including Rule 10b-18 of the Exchange Act.

On March 17, 2020, the Board, given the extreme uncertainty due to COVID- 19 at the time, suspended the Share Repurchase Program.

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On May 18, 2021, our Board of Directors resumed its Share Repurchase Program, and increased the number of shares of Common Stock available to repurchase under the Share Repurchase Program by an additional \$4 million bringing the total number of Common Stock authorized to repurchase under the Share Repurchase Program to \$8.0 million.

On August 31, 2021, our Board of Directors approved a further increase to its Share Repurchase program to \$ 12.0 million in shares of our Common Stock which added an additional \$4 million to the Share Repurchase Program.

On May 10, 2022, our Board of Directors approved an increase of \$ 9.0 million in the number of shares of Common Stock available to repurchase under the Share Repurchase Program.

Since inception of the Share Repurchase Program through September 30, 2024 a total of \$21,000,000 in shares of Common Stock have been approved under the Share Repurchase Program, and 2,122,703 shares of Common Stock have been repurchased at an average purchase price of \$6.13, resulting in \$7,992,206 remaining available to repurchase under the current Share Repurchase Program. From time-to-time, our Board of Directors may authorize further increases to our Share Repurchase Program. In addition, the Share Repurchase Program may also be suspended for periods of time or discontinued at any time, at the Board's discretion.

The following table provides information about repurchases of our Common Stock registered pursuant to Section 12 of the Exchange Act, during the year ended June 30, 2024 and three months ended September 30, 2024:

| Period (1) | Total Number of Shares Purchased by Period | Average Price Paid Per Share | Dollars Expended by Period Under the Plans or Programs | Remaining Amount Available for Future Share Repurchases Under the Plans or Programs |
|---|--|------------------------------|--|---|
| Year Ended June 30, 2024: | | | | |
| July 1, 2023 – September 30, 2023: | 155,025 | \$ 8.53 | \$ 1,322,082 | \$ 8,185,698 |
| October 1, 2023 – December 31, 2023: | 22,012 | \$ 8.79 | \$ 193,492 | \$ 7,992,206 |
| January 1, 2024 – March 31, 2024: | - | \$ - | \$ - | \$ 7,992,206 |
| April 1, 2024 – June 30, 2024: | - | \$ - | \$ - | \$ 7,992,206 |
| Three Months Ended September 30, 2024: | | | | |
| July 1, 2024 – September 30, 2024: | - | \$ - | \$ - | \$ 7,992,206 |

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

NOTE 4. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2024, the Company continued to be a party to a service agreement (the "Service Agreement") with Fields Management, Inc. ("FMI"), pursuant to which FMI provided certain executive management services to the Company, including designating Randall K. Fields to perform the functions of President and Chief Executive Officer for the Company. Mr. Fields, FMI's designated executive, who also serves as the Company's Chair of the Board of Directors, controls FMI. The Company had no payables to FMI under the Service Agreement as of September 30, 2024 or June 30, 2024. During the three months ended September 30, 2024 and 2023, the Company paid FMI \$242,451 and \$231,015, respectively, in connection with the Service Agreement.

NOTE 5. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed newly issued accounting pronouncements and concluded that they are either not applicable to its business or that no material effect is expected on its consolidated condensed financial statements as a result of future adoption.

NOTE 6. SUBSEQUENT EVENTS

In accordance with the Subsequent Events Topic of the FASB ASC 855, we have evaluated subsequent events through the filing date and determined that no subsequent events occurred that were reasonably expected to impact the consolidated condensed financial statements presented herein.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report") 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, 2024 Annual Report on Form 10-K, incorporated by reference herein. Statements made herein are as of the date of the filing of this Report with the Securities and Exchange Commission ("SEC") 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

ReposiTrak, Inc., a Nevada corporation ("ReposiTrak", "We", "us", "our" or the "Company") is a Software-as-a-Service ("SaaS") which operates a business-to-business ("B2B") e-commerce, compliance & traceability, and supply chain management platform that partners with retailers, wholesalers, distributors and their product suppliers to (a) help them manage specific programs, such as out-of-stock management and scan-based trading; (b) reduce risk in their supply chain by managing compliance documents and data; ensure compliance with new regulatory requirements supporting traceability; and (c) improve product ordering and forecasting in order to accelerate sales, control risks, and improve supply chain efficiencies.

The Company's services are grouped in three application suites:

1. **ReposiTrak Compliance Management** ("Compliance") solutions, which helps the Company's customers vet suppliers and reduce a company's potential regulatory, legal, and criminal risk from its supply chain partners by providing a way for them to ensure these suppliers are compliant with food safety regulations, such as the Food Safety Modernization Act of 2011 ("FSMA");
2. **ReposiTrak Traceability Network** ("Traceability" or "RTN"), which helps the Company's customers comply with federal regulatory requirements of traceability and provides the lowest cost, easiest to use way to manage the capture and sharing of key data elements ("KDEs") now required by Section 204d of FSMA 2011 as designated products move through the supply chain at each 'event' known as a 'critical tracking event' or "CTE", which includes tracking from farm to shelf; and
3. **ReposiTrak Supply Chain Solutions** ("Supply Chain"), which help the Company's customers to more efficiently manage various interactions with their suppliers. In other words, it provides customers with greater flexibility in sourcing products by enabling them to choose new suppliers and integrate them into their supply chain faster and more cost effectively, and it helps them to manage these relationships more efficiently, enhancing revenue while lowering working capital, labor costs and reducing waste.

The Company's services are delivered through proprietary software products designed, developed, marketed and supported by the Company. These products provide visibility and facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving backwards to suppliers and eventually to raw material providers.

The Company provides cloud-based applications and services that address e-commerce, supply chain, food safety, compliance and traceability activities. The principal customers for the Company's products are household name multi-store food retail chains and restaurants including their suppliers, branded food manufacturers, food wholesalers and distributors, and other food service businesses.

The Company has a hub and spoke business model. The Company is typically engaged by retailers and wholesalers ("Hubs"), which in turn require their suppliers ("Spokes") to utilize the Company's services.

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On December 21, 2023, the Company effected a change of its corporate name from Park City Group, Inc. to ReposiTrak, Inc. The Company is incorporated in the State of Nevada and has two principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned) ("PCG Utah"), and Park City Group, Inc., a Delaware corporation (100% owned) ("PCG Delaware" and together with PCG Utah, the "Subsidiaries"). All intercompany transactions and balances have been eliminated in the Company's consolidated financial statements, which contain the Company's results from operations. The Company has no business operations separate from the operations conducted through its Subsidiaries.

The Company's principal executive offices are located at 5282 South Commerce Drive, Suite D292, Murray, Utah 84107. Its telephone number is (435) 645-2000. Its website address is www.repositrak.com.

Recent Developments

Dividend Payment

On September 19, 2024, the Company's Board of Directors declared a quarterly cash dividend of \$0.0165 per share (\$0.066 per year), payable to shareholders of record on November 13, 2024, which were paid to shareholders of record on or about September 30, 2024. Based on the closing prices on September 30, 2024, this represented an annual dividend yield of approximately 0.34%. Subsequent dividends will be paid within 45 days of each fiscal quarter end.

On September 30, 2024, the Company announced that the Board of Directors approved a 10% increase to the quarterly dividend beginning with the dividend payable to shareholders of record on December 31, 2024.

Federal Regulation & Traceability: FSMA 204(d) and USDA SOE

In 2020, the United States Food & Drug Administration ("FDA") announced the "New Era of Smarter Food Safety" blueprint. It "outlines achievable goals to enhance traceability, improve predictive analytics, respond more rapidly to outbreaks, address new business models, reduce contamination of food, and foster the development of stronger food safety cultures."

In November 2022, the FDA announced the final rule on the Food Safety Modernization Act Section 204(d) ("FSMA 204") - Traceability for High-Risk Foods. On January 20, 2023, the rule became effective and applies to any person or Company that manufactures, processes, packs or holds foods the FDA considers to be high risk for food borne illness, the so-called Food Traceability List ("FTL"). The FTL is comprised of 16 product categories of food, which represent thousands of products commonly sold in grocery and convenience stores, and all restaurants. As a result, every grocery distributor, wholesaler and retailer, and the food service supply chain, must now institute a traceability program that enables the capture, creation and sharing of specific Key Data Elements ("KDEs") prescribed by the FDA and required for traceability, at each designated Critical Tracking Event ("CTE") in the supply chain, for thousands of items.

FSMA 204 requires the traceability data records to be stored for two years, and be retrievable such that specific data records can be presented within 24 hours of a request from the FDA. FSMA 204 is ultimately about supply chain data recording record keeping, resulting in an enormous amount of data to manage, across more than one million supply chain and retail facilities. The deadline for compliance with FSMA 204 is January 20, 2026, and nearly every company impacted will require some type of technical systems support to meet the requirement.

While the FTL includes thousands of product types, the FDA has made it clear in its communications that the list is only the beginning. The FDA states that it would "encourage the voluntary adoption of these practices industry-wide." There are some strong early indications that the industry will move to complete traceability of all food products within the next few years.

Traceability is, by definition, a supply chain data management issue, which is ReposiTrak's core expertise. That is why we have made it our goal to develop a traceability solution that is easy, inexpensive and meets FDA's requirements. The ReposiTrak Traceability Network ("RTN") is a growing traceability solution, connecting thousands of supplier locations to thousands of food wholesaler and retail locations, using low cost, easy to deploy technology, on the ReposiTrak platform. As the largest connected network of food suppliers, wholesalers and retailers in the world, the ReposiTrak Traceability Network is positioned to provide end-to-end traceability to provide a safer food supply chain, tighten controls on food waste, and implement a food recall response that saves lives and money.

[Table of Contents](#)**Results of Operations****Comparison of the Three Months Ended September 30, 2024 to the Three Months Ended September 30, 2023.****Revenue**

| | Fiscal Quarter Ended September 30, | | Variance | |
|---------|---------------------------------------|--------------|------------|---------|
| | 2024 | 2023 | Dollars | Percent |
| Revenue | \$ 5,441,142 | \$ 5,060,112 | \$ 381,030 | 8% |

Revenue was \$5,441,142 and \$5,060,112 for the three months ended September 30, 2024 and 2023, respectively, a 8% increase year-over-year. The increase in revenue was due to growth in recurring subscription revenue primarily in traceability but includes growth in all lines of business. These include compliance, supply chain and traceability. Growth in traceability is the result of growing industry and consumer response to food contaminations and food safety hazards, whether biological, chemical, physical, or allergenic. The risks have elevated regulatory requirements, documentation requisites, and principally has resulted in mandates from the retailers to its suppliers. As more and more retailers, wholesalers and distributors mandate their requirements to suppliers, the Company continues to see a corresponding rise in demand for its services.

Although no assurances can be given, we continue to focus our sales efforts on marketing our software services on a recurring subscription basis and placing less emphasis on transactional revenue. However, we believe there will continue to be a small percentage of customers that will, from time to time, require buying a particular service outright (i.e., a license). Nonetheless, we will continue to deemphasize non-recurring transactional revenue when we are able.

Cost of Services and Product Support

| | Fiscal Quarter Ended September 30, | | Variance | |
|--------------------------------------|---------------------------------------|------------|-----------|---------|
| | 2024 | 2023 | Dollars | Percent |
| Cost of services and product support | \$ 859,219 | \$ 766,334 | \$ 92,885 | 12% |
| Percent of total revenue | 16% | 15% | | |

Cost of services and product support was \$859,219 and \$766,334 for the three months ended September 30, 2024 and 2023, respectively, a 12% increase. This \$92,885 increase is primarily the result of development to accelerate automation of onboarding and support services in effort to support the acceleration and expansion of the FSMA 204 initiative. Given the demand in traceability the Company has also expended additional resources on further upgrading its information security services to increase protection of customer data.

Sales and Marketing Expense

| | Fiscal Quarter Ended September 30, | | Variance | |
|--------------------------|---------------------------------------|--------------|-----------|---------|
| | 2024 | 2023 | Dollars | Percent |
| Sales and marketing | \$ 1,529,100 | \$ 1,505,501 | \$ 23,599 | 2% |
| Percent of total revenue | 28% | 30% | | |

Sales and marketing expense was \$1,529,100 and \$1,505,501 for the three months ended September 30, 2024 and 2023, respectively, a 2% increase. The increase in sales and marketing expense was primarily the result of higher sales commissions, sales travel, and investment in marketing for our suite of services. The largest contributors to the increase in sales and marketing expense has been an increase in commission and FSMA 204 traceability awareness marketing. We believe the uptick in marketing costs will flatten over the next twelve months as awareness of the 2026 traceability regulatory deadline approaches.

General and Administrative Expense

| | Fiscal Quarter Ended September 30, | | Variance | |
|----------------------------|---------------------------------------|--------------|-----------|---------|
| | 2024 | 2023 | Dollars | Percent |
| General and administrative | \$ 1,292,551 | \$ 1,279,323 | \$ 13,228 | 1% |
| Percent of total revenue | 24% | 25% | | |

General and administrative expense was \$1,292,551 and \$1,279,323 for the three months ended September 30, 2024 and 2023, respectively, a 1% increase. The increase in general and administrative expense was primarily due to higher employee benefit costs, general liability insurance, D&O insurance, and payroll taxes.

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Depreciation and Amortization Expense

| | Fiscal Quarter Ended September 30, | | Variance | |
|-------------------------------|---------------------------------------|------------|-------------|---------|
| | 2024 | 2023 | Dollars | Percent |
| Depreciation and amortization | \$ 280,211 | \$ 308,945 | \$ (28,734) | (9)% |
| Percent of total revenue | 5% | 6% | | |

Depreciation and amortization expense was \$280,211 and \$308,945 for the three months ended September 30, 2024 and 2023, respectively, a decrease of 9%. The decrease was due to certain assets that have been fully depreciated or amortized.

Other Income and Expense

| | Fiscal Quarter Ended September 30, | | Variance | |
|----------------------------|---------------------------------------|------------|-----------|---------|
| | 2024 | 2023 | Dollars | Percent |
| Net other income (expense) | \$ 335,094 | \$ 279,003 | \$ 56,091 | 20% |
| Percent of total revenue | 6% | 6% | | |

Net other income was \$335,094 for the three months ended September 30, 2024, compared to net other income of \$279,003 for the three months ended September 30, 2023. Other income increased due to higher cash balances and an increase in interest income attributable to higher earnings on fixed income instruments. In September 2024, the Federal Reserve began cutting interest rates, which reductions make it unlikely the Company will be able to maintain the same interest income on its existing cash balances without taking additional credit risk.

Preferred Dividends

| | Fiscal Quarter Ended September 30, | | Variance | |
|--------------------------|---------------------------------------|------------|-------------|---------|
| | 2024 | 2023 | Dollars | Percent |
| Preferred dividends | \$ 107,882 | \$ 146,611 | \$ (38,729) | (26)% |
| Percent of total revenue | 2% | 3% | | |

Preferred dividends accrued on the Company's Preferred Stock was \$107,882 for the three months ended September 30, 2024 and \$146,611 for the three months ended September 30, 2023. Dividends decreased due to the redemption and retirement of Preferred Stock. Although no assurances can be given, the Company announced that it intends to redeem all of the Series B and B-1 Preferred stock over three years which commenced August of 2023.

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Financial Position, Liquidity and Capital Resources

We believe that 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 macroeconomic conditions, our rate of revenue growth, sales and marketing activities, the timing and extent of spending required for research and development efforts and the continuing market acceptance of our products and services.

| | As of | | Variance | |
|---------------------------|--------------------|---------|---------------|------------|
| | September 30, 2024 | | June 30, 2024 | |
| | Dollars | Percent | Dollars | Percent |
| Cash and cash equivalents | \$ 25,790,206 | 3% | \$ 25,153,862 | \$ 636,344 |

We have historically funded our operations with cash from operations, equity financings, and borrowings from our existing line of credit with U.S. Bank N.A. (the "Bank"), which was revised on October 6, 2021, and again in 2022. In March 2024, given our strong financial position, we terminated the credit facility with our bank.

Cash was \$25,790,206 and \$25,153,862 at September 30, 2024 and June 30, 2024, respectively. This 3% increase is primarily the result of higher revenue and the corresponding cash receipts from customers. It also includes higher earnings associated with a growing cash balance.

Net Cash Flows from Operating Activities

| | Three Months Ended | | Variance | |
|---------------------------------------|--------------------|--------------|------------|---------|
| | September 30, | | | |
| | 2024 | 2023 | Dollars | Percent |
| Cash provided by operating activities | \$ 1,868,900 | \$ 1,520,770 | \$ 348,130 | 23% |

Net cash provided by operating activities is summarized as follows:

| | Three Months Ended | | Variance | |
|---|--------------------|--------------|----------|---------|
| | September 30, | | | |
| | 2024 | 2023 | Dollars | Percent |
| Net income | \$ 1,665,155 | \$ 1,378,548 | | |
| Noncash expense and income, net | 545,832 | 484,149 | | |
| Net changes in operating assets and liabilities | (342,087) | (341,927) | | |
| | \$ 1,868,900 | \$ 1,520,770 | | |

Net cash provided by operating activities for the three months ended September 30, 2024 was \$1,868,900 compared to net cash provided by operating activities of \$1,520,770 for the three months ended September 30, 2023. Net cash provided by operating activities increased 23% due principally to an increase in collections due to higher revenues, offset by lower accounts payable. Noncash expense in the quarter increased by \$61,683 in the three months ended September 30, 2024, compared to three months ended September 30, 2023 as a result of a decrease in bad debt expense and stock compensation expense offset by an increase in depreciation and amortization.

Net Cash Flows from Investing Activities

| | Three Months Ended | | Variance | |
|---------------------------------------|--------------------|------|-----------|---------|
| | September 30, | | | |
| | 2024 | 2023 | Dollars | Percent |
| Cash provided by investing activities | \$ 34,086 | \$ - | \$ 34,086 | 100% |

Net cash provided by investing activities for the three months ended September 30, 2024 was \$34,086 compared to net cash used in investing activities of \$0 for the three months ended September 30, 2023. This increase in cash provided by investing activities for the three months ended September 30, 2024 was due to the sale of marketable securities.

Net Cash Flows from Financing Activities

| | Three Months Ended | | Variance | |
|-----------------------------------|--------------------|----------------|------------|---------|
| | September 30, | | | |
| | 2024 | 2023 | Dollars | Percent |
| Cash used in financing activities | \$ (1,266,642) | \$ (1,814,421) | \$ 547,779 | (30)% |

Net cash used in financing activities totaled \$1,266,642 for the three months ended September 30, 2024, compared to cash used in financing activities of \$1,814,421 for the three months ended September 30, 2023. The decrease in net cash used in financing activities is due to no buyback of Common stock during the quarter.

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Liquidity and Working Capital

At September 30, 2024, the Company had positive working capital of \$25,634,543, as compared with positive working capital of \$24,757,025 at June 30, 2024. This \$877,518 increase in working capital is primarily due to an increase in accounts receivable and decrease in prepaid and other assets offset by a decrease in contract liabilities and an increase in deferred revenue due to an increase in annual subscriptions. Cash and cash equivalents also increased due to cash receipts from customers who have signed up for, among other offerings, the ReposiTak Traceability Network.

| | As of September 30, 2024 | As of June 30, 2024 | Variance | |
|----------------|-----------------------------------|---------------------------|------------|----|
| | Dollars | Percent | | |
| Current assets | \$ 30,091,919 | \$ 29,300,167 | \$ 791,752 | 3% |

Current assets totaled \$30,091,919 as of September 30, 2024, as compared to \$29,300,167 as of June 30, 2024. The increase in current assets is primarily attributable to the increase in cash and prepaid expense and other current assets offset by a decrease of accounts receivables.

| | As of September 30, 2024 | As of June 30, 2024 | Variance | |
|---------------------|-----------------------------------|---------------------------|-------------|------|
| | Change | Percent | | |
| Current liabilities | \$ 4,457,376 | \$ 4,543,142 | \$ (85,766) | (2)% |
| Current ratio | 6.73% | 6.45% | | |

Current liabilities totaled \$4,457,376 as of September 30, 2024 as compared to \$4,543,142 as of June 30, 2024. The decrease in current liabilities is primarily attributable to the increase in deferred revenue offset by a decrease in accrued liabilities and paydown of certain financing lease liabilities. As of September 30, 2024, the Company had zero bank debt.

On October 6, 2021, the Company and the Bank executed a Revolving Credit Agreement (the " *Revolving Credit Agreement*") and accompanying addendum (the " *Addendum*"), and Stand-Alone Revolving Note (the " *Note*" and collectively with the Revolving Credit Agreement and Addendum, the " *Credit Agreement*"), with an effective date of September 30, 2021. The Credit Agreement replaced the Company's prior \$6.0 million Revolving Credit Agreement and Stand-Alone Revolving Note between the Company and the Bank, as amended and revised on January 9, 2019, and provided the Company with a \$10.0 million revolving line of credit that matured on March 31, 2023. The Credit Agreement contained customary affirmative and negative covenants and conditions to borrowing, as well as customary events of default. Among other things, the Company must maintain liquid assets equal to \$12 million and maintain a Senior Funded Debt (as defined in the Credit Agreement) to EBITDA Ratio (as defined in the Credit Agreement) of not more than 3:1.

On April 28, 2023, the Company and the Bank executed an amendment to the Credit Agreement (the " *Amendment*"), with an effective date of March 31, 2023. The Amendment sets forth that (1) the Company will increase its liquidity requirement from \$10 million to \$12 million, which the Company currently maintains over \$22 million in cash and a current ratio of over 6:1, and (2) draws on the facility accrue interest at the annual rate, equal to 1.75% plus the one-month SOFR rate, instead of the previous LIBOR rate. As of March 31, 2024, the balance of the facility was zero. The Company had zero bank debt at September 30, 2024.

On March 15, 2024, given its strong financial position, the Company chose not to renew the Revolving Credit Agreement. There were no amounts due at the time of renewal.

While no assurances can be given, management currently believes that the Company will continue to increase its cash flow from operations and working capital position in subsequent periods. The Company's increase in anticipated cash flow from operations and working capital position is expected to be offset by the use of cash required to fund the Company's quarterly cash dividends of \$0.015 per share, announced on September 28, 2022, December 30, 2022, February 10, 2023, March 21, 2023, June 20, 2023, September 19, 2023, and of \$0.0165 per share, announced on December 12, 2023, March 18, 2024, June 18, 2024 and September 19, 2024, as well as the redemption and retirement of the Company's Series B Convertible Preferred Stock (the " *Preferred Stock*") for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214.

[Table of Contents](#)**Off-Balance Sheet Arrangements**

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

Contractual Obligations

Total contractual obligations and commercial commitments as of September 30, 2024 are summarized in the following table:

| | Operating Leases | Financing Leases |
|-----------------------|-----------------------------|-----------------------------|
| Less than 1 Year | \$ 76,051 | \$ 204,555 |
| 1-3 Years | 159,014 | 177,023 |
| 3-5 Years | 34,031 | - |
| Total lease payments | 269,096 | 381,578 |
| Less imputed interest | (21,559) | (27,418) |
| Total | \$ 247,537 | \$ 354,160 |

Critical Accounting Policies

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

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

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

Income Taxes

In determining the carrying value of the Company's net deferred income tax assets, the Company must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions, to realize the benefit of these assets. If these estimates and assumptions change in the future, the Company may record a reduction in the valuation allowance, resulting in an income tax benefit in the Company's statements of operations. Management evaluates quarterly whether to realize the deferred income tax assets and assesses the valuation allowance.

Goodwill and Other Long-Lived Asset Valuations

Goodwill is assigned to specific reporting units and is reviewed for possible impairment at least annually or upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. Management reviews the long-lived tangible and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment.

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The carrying value of a long-lived asset is considered impaired when the anticipated cumulative undiscounted cash flows of the related asset or group of assets is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset. Economic useful lives of long-lived assets are assessed and adjusted as circumstances dictate.

Revenue Recognition

Effective July 1, 2018, the Company adopted the Financial Accounting Standards Board's Accounting Standards Update 2014-09: *Revenue from Contracts with Customers (Topic 606)*, and its related amendments ("ASU 2014-09"). ASU 2014-09 provides a unified model to determine when and how revenue is recognized and enhances certain disclosure around the nature, timing, amount and uncertainty of revenue and cash flows arising from customers.

ASU 2014-09 represents a change in the accounting model utilized for the recognition of revenue and certain expense arising from contracts with customers. The Company adopted ASU 2014-09 using a "modified retrospective" approach and, accordingly, revenue and expense totals for all periods before July 1, 2018 reflect those previously reported under the prior accounting model and have not been restated.

See Note 2 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Report for a full description of the impact of the adoption of new accounting standards on our financial statements. Following the adoption of this guidance, the revenue recognition for our sales arrangements remained materially consistent with our historical practice and there have been no material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Share-Based Compensation

The Company accounts for its share-based compensation to employees and non-employees in accordance with FASB ASC 718, *Compensation – Stock Compensation*. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service or vesting period.

Leases

Effective July 1, 2019, the Company adopted the requirements of Accounting Standards Update No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). All amounts and disclosures set forth in this Report have been updated to comply with this new standard with results for reporting periods beginning after July 1, 2019 presented under ASU 2016-02, while prior period amounts and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

Available-for-Sale Debt Investments

We classify our investments in fixed income securities as available-for-sale debt investments. Our available-for-sale debt investments primarily consist of U.S. government, U.S. government agency, non-U.S. government and agency, corporate debt, U.S. agency mortgage-backed securities, commercial paper and certificates of deposit. These available-for-sale debt investments are primarily held in the custody of a major financial institution. A specific identification method is used to determine the cost basis of available-for-sale debt investments sold. These investments are recorded in the Consolidated Balance Sheets at fair value. Unrealized gains and losses on these investments are included as a separate component of accumulated other comprehensive income ("OCI"). We classify our investments as current based on the nature of the investments and their availability for use in current operations.

Impairment Consideration of Investments

For our available-for-sale debt securities in an unrealized loss position, we determine whether a temporary or permanent credit loss exists. In this assessment, which requires judgment, among other factors, we consider the extent to which the fair value is less than the amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security. If factors indicate a permanent credit loss exists, an allowance for credit loss is recorded to other income (loss), net, limited by the amount that the fair value is less than the amortized cost basis. The amount of fair value change relating to all other factors will be recognized in other comprehensive income ("OCI").

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Our exposure to interest rate changes related to borrowing has been limited, and we believe the effect, if any, of near-term changes in interest rates on our financial position, results of operations and cash flows should not be material. At September 30, 2024, our debt portfolio was composed of only capital leases. The effective APR fixed is 4.55%. We depreciate our total lease obligations on a three-year straight-line basis. The total cost is less than \$400,000.

The table that follows presents fair values of principal amounts and weighted average interest rates for our investment portfolio as of September 30, 2024:

| | Aggregate Fair Value | Weighted Average Interest Rate |
|----------------------|-----------------------------|---------------------------------------|
| Cash: Cash | \$ 25,790,206 | 4.84% |

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2024 was completed. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, from time-to-time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. There is currently no pending or threatened material legal proceeding that, in the opinion of management, could have a material adverse effect on our business or financial condition.

ITEM 1A. RISK FACTORS

There are no risk factors identified by the Company in addition to the risk factors previously disclosed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| | |
|---------|--|
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101) |

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.

REPOSITRAK, INC.

Date: November 14, 2024

By: /s/ Randall K. Fields

Randall K. Fields
Chair of the Board and Chief Executive Officer
(Principal Executive Officer)

REPOSITRAK, INC.

Date: November 14, 2024

By: /s/ John R. Merrill

John R. Merrill
Chief Financial Officer
(Principal Financial Officer & Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)**

I, Randall K. Fields, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ReposiTrak, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 15d-15(f)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

By: /s/ Randall K. Fields
Randall K. Fields
Chief Executive Officer and Chair of the Board
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)**

I, John R. Merrill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ReposiTrak, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 15d-15(f)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

By: /s/ John R. Merrill
John R. Merrill
Chief Financial Officer
(Principal Financial Officer & Principal Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SEC.1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report of ReposiTak, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, Randall K. Fields, Principal Executive Officer of the Company, certifies, to my best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 14, 2024

By: /s/ Randall K. Fields
Randall K. Fields
Chief Executive Officer and Chair of the Board
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SEC.1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report of ReposiTak, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, John R. Merrill, Principal Financial Officer of the Company, certifies, to my best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 14, 2024

By: /s/ John R. Merrill
John R. Merrill
Chief Financial Officer
(Principal Financial Officer & Principal Accounting Officer)