

ARI NETWORK SERVICES INC /WI
Form DEFC14A
November 28, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-12

ARI NETWORK SERVICES, INC.

(Name of Registrant as Specified in its Charter)

**PARK CITY CAPITAL, LLC
PARK CITY CAPITAL OFFSHORE MASTER, LTD.
MICHAEL J. FOX
JOHN M. MUELLER**

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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November 28, 2016

Dear fellow shareholders of ARI Network Services, Inc.:

Park City Capital, LLC, the beneficial owner of approximately 5.7% of the outstanding shares of ARI Network Services, Inc. (ARI), is nominating two highly qualified director candidates for election to the two seats up for election on ARI 's six-member staggered board at its 2017 annual meeting of shareholders to be held on January 5, 2017. We are sending you the attached proxy statement and the enclosed **BLUE** proxy card to solicit your proxy to elect our director candidates.

Park City Capital believes that ARI 's shares are significantly undervalued and that, due to market conditions, ARI has a unique opportunity to maximize shareholder value by seeking to sell the company. We have engaged in discussions with ARI, and provided it with our analysis, regarding a potential sale of the company over the past two years. We do not believe that the ARI board and management have genuinely considered a sale of the company during that time. We believe strongly that the ARI board would benefit greatly from the addition of two new board members who are experienced in sale transactions and would seek to ensure that the ARI board fairly and properly considers all potential strategic alternatives. Our director nominees would represent the best interests of all shareholders, independent of management, and would work to ensure that the board pursues the best possible results for all shareholders.

Our two director candidates, whose backgrounds are more fully described in the attached proxy statement, are John M. Mueller and Michael J. Fox.

We ask for your support by completing, signing, dating and returning in the enclosed postage-paid envelope the enclosed BLUE proxy card. If you hold ARI shares through a bank, broker or other nominee, you must provide voting instructions to that entity. If you have not received a BLUE voting instruction card from your bank, broker or other nominee, you should immediately contact the person responsible for your account to obtain a BLUE voting instruction card.

We urge you not to return any proxy card provided by ARI. To support Park City Capital, you should return our BLUE proxy card and discard any proxy card you receive from ARI. You do not need to (and should not) vote withhold on ARI 's proxy card to vote for our director candidates. You should not vote for any of the director candidates nominated by ARI, or on any other matter by returning ARI 's proxy card. If you have already provided ARI with an executed proxy, you may revoke it by executing a later dated BLUE proxy card and sending it to us in the enclosed postage-paid envelope (or, if you hold your shares through a bank, broker or other nominee, by sending a later dated BLUE voting instruction card to that entity).

If you have any questions or require any assistance with providing your proxy or any other matters, please contact our proxy advisor, Alliance Advisors, at 855-737-3183.

Thank you for your support,
Park City Capital, LLC

Proxy Statement

This proxy statement and enclosed **BLUE** proxy card are being provided by Park City Capital, LLC in connection with its solicitation of proxies from you, the holders of shares of common stock of ARI Network Services, Inc., a Wisconsin corporation (**ARI**), to elect our two director candidates to the two seats up for election on **ARI**'s six-member staggered board at its 2017 annual meeting of shareholders to be held at **ARI**'s headquarters located at 10850 West Park Place, Suite 1200, Milwaukee, Wisconsin 53224 on Thursday, January 5, 2017, at 9:00 a.m., local time, and any adjournments or postponements thereof and any meeting which may be called in lieu thereof (the Annual Meeting).

Park City Capital's director candidates are John M. Mueller and Michael J. Fox. The backgrounds and qualifications of our director candidates are described in this proxy statement in the section titled Our Director Candidates.

Proposals to approve an amendment to **ARI**'s 2010 Equity Incentive Plan, to approve, on an advisory basis, **ARI**'s executive compensation (so called say-on-pay), and to ratify the appointment of **ARI**'s independent auditors for the fiscal year ending July 31, 2017 are also included on our **BLUE** proxy card. Park City Capital recommends that you vote **AGAINST** **ARI**'s proposal to amend its 2010 Equity Incentive Plan and its say-on-pay proposal due to Park City Capital's belief that the **ARI** board and management have failed to maximize value for shareholders. Park City Capital does not make a recommendation with respect to the auditor ratification proposal.

ARI has set the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting as October 28, 2016 (the Record Date). Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to **ARI**, as of the Record Date, there were 17,448,066 shares of common stock of **ARI** outstanding and entitled to vote at the Annual Meeting.

This solicitation of proxies is being made by Park City Capital. Further information regarding Park City Capital and its affiliates is included in this proxy statement in the section titled Information About Us. This solicitation of proxies is not being made by or on behalf of the board of directors or management of **ARI**.

This proxy statement and the enclosed **BLUE** proxy card are first being sent to **ARI**'s shareholders on or about November 29, 2016.

WE URGE YOU TO COMPLETE, SIGN, DATE AND RETURN IN THE ENCLOSED POSTAGE-PAID ENVELOPE THE ENCLOSED BLUE PROXY CARD TO ELECT OUR DIRECTOR CANDIDATES. YOU WILL NOT BE ABLE TO VOTE FOR OUR DIRECTOR CANDIDATES BY RETURNING A PROXY CARD THAT IS PROVIDED BY ARI.

IF YOU HOLD ARI SHARES THROUGH A BANK, BROKER OR OTHER NOMINEE, YOU MUST PROVIDE VOTING INSTRUCTIONS TO THAT ENTITY. IF YOU HAVE NOT RECEIVED A BLUE VOTING INSTRUCTION CARD FROM YOUR BANK, BROKER OR OTHER NOMINEE, YOU SHOULD IMMEDIATELY CONTACT THE PERSON RESPONSIBLE FOR YOUR ACCOUNT TO OBTAIN A BLUE VOTING INSTRUCTION CARD.

WE URGE YOU NOT TO RETURN ANY PROXY CARD PROVIDED BY ARI. TO SUPPORT PARK CITY CAPITAL, YOU SHOULD RETURN OUR BLUE PROXY CARD AND DISCARD ANY PROXY CARD YOU RECEIVE FROM ARI. YOU DO NOT NEED TO (AND SHOULD NOT) VOTE WITHHOLD ON ARI'S PROXY CARD TO VOTE FOR OUR DIRECTOR CANDIDATES. YOU SHOULD NOT VOTE FOR ANY OF THE DIRECTOR CANDIDATES NOMINATED BY ARI OR ON ANY OTHER MATTER BY

RETURNING ARI S PROXY CARD.

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IF YOU HAVE ALREADY PROVIDED ARI WITH AN EXECUTED PROXY, YOU MAY REVOKE IT BY EXECUTING A LATER DATED BLUE PROXY CARD AND SENDING IT TO US IN THE ENCLOSED POSTAGE-PAID ENVELOPE (OR, IF YOU HOLD YOUR SHARES THROUGH A BANK, BROKER OR OTHER NOMINEE, BY SENDING A LATER DATED BLUE VOTING INSTRUCTION CARD TO THAT ENTITY). SEE THE BACK COVER PAGE OF THIS PROXY STATEMENT FOR FURTHER INFORMATION ON HOW TO VOTE YOUR ARI SHARES.

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Questions and Answers Relating to this Proxy Solicitation

What are you asking ARI's shareholders to do?

We are asking for your support for the election of our two director candidates, John M. Mueller and Michael J. Fox, to the two seats up for election on ARI's six-member staggered board. As described more fully in this proxy statement, we believe our director candidates will add valuable perspectives and leadership to the ARI board relating to the pursuit of strategic alternatives and a sale process. We believe our candidates possess the skills, experience, energy and leadership abilities necessary to contribute to ARI as well-rounded board members. Our nominees will represent, and will seek the best possible results for, all shareholders.

Who are Park City Capital's director candidates?

John M. Mueller and Michael J. Fox are highly qualified individuals with significant business experience. The principal occupation and business experience of each of these candidates is described in this proxy statement in the section titled "Our Director Candidates." We believe that each of our director candidates would be considered independent under the listing standards of the NASDAQ Stock Market ("NASDAQ"), and neither of our director candidates is affiliated with ARI or any of its subsidiaries. If elected to ARI's board of directors, our director candidates would owe fiduciary duties to all of ARI's shareholders.

Who can provide a proxy?

If you are a record holder of ARI shares as of the close of business on the record date for the Annual Meeting, which is October 28, 2016, you have the right to vote in person or by proxy on the election of directors and any other matters that may properly come before the Annual Meeting. If you are a record holder of ARI shares at the close of business on the record date, you will retain your right to vote or provide a proxy even if you sell your ARI shares after the record date.

How do I provide a proxy?

We urge you to complete, sign, date and return in the enclosed postage-paid envelope the enclosed **BLUE** proxy card to elect our director candidates. You will not be able to vote for our director candidates by returning a proxy card that is provided by ARI. If you hold ARI shares through a bank, broker or other nominee, you must provide voting instructions to that entity. If you have not received a **BLUE** voting instruction card from your bank, broker or other nominee, you should immediately contact the person responsible for your account to obtain a **BLUE** voting instruction card.

If you have already provided ARI with an executed proxy, you may revoke that proxy by executing a later dated **BLUE** proxy card and sending it to us in the enclosed postage-paid envelope (or, if you hold your shares through a bank, broker or other nominee, by returning a later dated **BLUE** voting instruction card to that entity). We urge you not to sign or return any proxy card provided by ARI. You do not need to (and should not) vote "withhold" on ARI's proxy card to vote for our director candidates. You should not vote on any other matter by returning ARI's proxy card.

Can I vote by telephone or Internet?

If you hold your shares in registered form, information should be included with this proxy statement providing you instructions on how to vote by telephone or the Internet.

If you hold your shares through a bank, broker or other nominee, information may be included with this proxy statement from that entity providing you instructions on how to vote by telephone or the Internet. Many banks and brokerage firms participate in a program that allows eligible shareholders to vote by telephone or the Internet. If your bank or brokerage firm participates in the telephone or Internet voting program, then the bank or brokerage firm will provide you with instructions for voting by telephone or the Internet on the voting form that it provides to you.

Telephone and Internet voting procedures, if available through your bank or brokerage firm, are designed to authenticate your identity and allow you to give your voting instructions and confirm that your instructions have been properly recorded.

What is the deadline for providing a proxy?

We urge you to submit your proxy to us as soon as possible. For your proxy to be voted at the Annual Meeting, we must receive it on or prior to the date of the Annual Meeting. The Annual Meeting is on January 5, 2017.

Who is making this proxy solicitation?

This proxy solicitation is being made by Park City Capital, LLC. Park City Capital, LLC provides investment advisory and management services and acts as the investment adviser of Park City Capital Offshore Master, Ltd., a private investment fund that owns 1,000,000 shares of ARI common stock. Michael J. Fox, one of our director candidates, is the managing member and chief executive officer of Park City Capital, LLC and a director of Park City Capital Offshore Master, Ltd.

Why is Park City Capital making this proxy solicitation?

Park City Capital believes that ARI's shares are significantly undervalued and that, due to market conditions, ARI has a unique opportunity to maximize shareholder value by seeking to sell the company. We have engaged in discussions with ARI, and provided it with our analysis, regarding a potential sale of the company over the past two years. We do not believe that the ARI board and management have genuinely considered a sale of the company during that time. We believe strongly that the ARI board would benefit greatly from the addition of two new board members who are experienced in sale transactions and would seek to ensure that the ARI board fairly and properly considers all potential strategic alternatives. Our director nominees would represent the best interests of all shareholders, independent of management, and would work to ensure that the board pursues the best possible results for all shareholders.

We believe our director candidates will add valuable perspectives and leadership to the ARI board relating to the pursuit of strategic alternatives and a sale process. We believe our candidates possess the skills, experience, energy and leadership abilities necessary to contribute to ARI as well-rounded board members. Our director candidates will be active and responsible stewards of the trust placed in them by shareholders.

How many proxies must be received for Park City Capital's director candidates to be elected?

Under ARI's bylaws, shareholders are entitled to one vote for each share held by them on each matter coming before the Annual Meeting. ARI's directors are elected by a plurality of the votes cast at a meeting of shareholders at which a quorum is present, and cumulative voting is not permitted. The presence in person or by proxy of the holders of a majority of ARI's outstanding shares entitled to vote at the Annual Meeting will constitute a quorum. ARI is proposing that two directors on its six-member staggered board be elected at the Annual Meeting. Therefore, at the Annual Meeting, assuming a quorum is present, the two director nominees receiving the highest number of votes, whether cast in person or by proxy, will be elected to ARI's staggered board. Because the two director candidates receiving the highest number of votes will be elected to ARI's staggered board, every vote is important. We urge you to complete, sign, date and return in the enclosed postage-paid envelope the enclosed **BLUE** proxy card to elect our director candidates.

Why is Park City Capital nominating only two director candidates when there are six members of ARI's board of directors?

ARI's board of directors consists of six directors who are divided into three classes with staggered three-year terms. The current terms of two of ARI's directors expire at the Annual Meeting. ARI's board also consists of two directors

with terms expiring at the 2018 annual meeting and two directors with terms expiring at the 2019 annual meeting. Park City Capital has nominated two director candidates to replace the two directors up for election at the Annual Meeting. To support Park City Capital, you should return only our **BLUE** proxy card and not vote ARI's proxy card or for any of their nominees.

What if I want to revoke a proxy that I already provided to ARI?

We urge you not to sign or return any proxy card or revocation card that may be sent to you by ARI. If you have already provided ARI with an executed proxy card or revocation card, you may revoke that document by executing a later dated **BLUE** proxy card and sending it to us in the enclosed postage-paid envelope (or, if you hold your shares through a bank, broker or other nominee, by returning a later dated **BLUE** voting instruction card to that entity). If you wish to revoke a proxy provided to ARI, please send a copy of the revocation to Alliance Advisors at the fax number included on the back cover page of this proxy statement so that we will be aware of all revocations and can attempt to ensure they are honored.

How do I vote on the other matters being presented by ARI for vote at the Annual Meeting?

You can vote on all matters to be presented at the Annual Meeting on Park City Capital's **BLUE** proxy card. We urge you not to return any proxy card provided by ARI so as not to revoke Park City Capital's **BLUE** proxy card. Only the latest dated proxy card will be counted at the Annual Meeting.

The affirmative vote of a majority of the votes cast by shareholders entitled to vote is required to approve the amendment to ARI's 2010 Equity Incentive Plan. Due to our belief that the ARI board and management have failed to maximize value for shareholders, Park City Capital will vote its ARI shares, and recommends that you vote your ARI shares, **AGAINST** ARI's proposal to amend its 2010 Equity Incentive Plan. If you indicate your vote with respect to this proposal on our **BLUE** proxy card, we will vote your shares as instructed. If you do not specify a choice with respect to this proposal on our **BLUE** proxy card, we will vote your shares **AGAINST** this proposal.

The affirmative vote of a majority of the votes cast by shareholders entitled to vote is required to approve, on an advisory basis, the compensation of ARI's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the company's compensation discussion & analysis, the compensation tables and the narrative discussion, as contained in ARI's proxy statement (so called "say-on-pay"). Due to our belief that the ARI board and management have failed to maximize value for shareholders, Park City Capital will vote its ARI shares, and recommends that you vote your ARI shares, **AGAINST** the say-on-pay proposal. If you indicate your vote with respect to this proposal on our **BLUE** proxy card, we will vote your shares as instructed. If you do not specify a choice with respect to this proposal on our **BLUE** proxy card, we will vote your shares **AGAINST** this proposal.

The affirmative vote of a majority of the votes cast by shareholders entitled to vote is required to ratify the appointment of Wipfli LLP as ARI's independent auditors for the fiscal year ending July 31, 2017. Park City Capital will vote its ARI shares **AGAINST** the company's auditor ratification proposal because of our lack of familiarity regarding the experience and qualifications of Wipfli LLP. However, Park City Capital makes no recommendation with respect to this proposal. If you indicate your vote with respect to this proposal on our **BLUE** proxy card, we will vote your shares as instructed. If you do not specify a choice with respect to this proposal on our **BLUE** proxy card, we will vote your shares **AGAINST** this proposal.

Abstentions and proxies marked "withhold" for the election of directors will be counted for purposes of establishing the presence or absence of a quorum for the transaction of business, but will not be counted for purposes of determining the election of directors. An abstention will have no effect on the outcome of the proposal to approve an amendment to ARI's 2010 Equity Incentive Plan, the say-on-pay proposal and the auditor ratification proposal.

If your ARI shares are held in the name of a brokerage firm and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to a proposal that is not a "routine" matter, the brokerage firm cannot vote the shares on that proposal. This is referred to as a "broker non-vote." Under applicable stock exchange rules, there are no "routine" proposals in a contested proxy solicitation. Because Park City Capital has initiated a contested proxy solicitation, there will be no "routine" matters at the Annual Meeting for any broker accounts that are provided with proxy materials by Park City Capital. When the vote is tabulated for any particular matter, broker non-votes, if any, will be counted for purposes of determining whether a quorum is present, but will have no effect on the outcome of any proposal. We encourage you to provide voting instructions to the bank, broker, trustee or other nominee that holds your shares by carefully following the instructions provided in their notice to you.

We urge you not to return any proxy card provided by ARI. To support Park City Capital, you should return our **BLUE** proxy card and discard any proxy card you receive from ARI. You do not need to (and should not) vote

withhold on ARI's proxy card to vote for our director candidates. You should not vote for any of the director candidates nominated by ARI, or on any other matter, by returning ARI's proxy card. If you have already provided ARI with an executed proxy, you may revoke it by executing a later dated **BLUE** proxy card and sending it to us in the enclosed postage-paid envelope (or, if you hold your shares through a bank, broker or other nominee, by sending a later dated **BLUE** voting instruction card to that entity).

Who should I call if I have any questions?

If you have any questions, require any assistance in voting your ARI shares, need any additional copies of our proxy materials, or have any other questions, please call Alliance Advisors, our proxy advisor, at 855-737-3183.

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Why We Are Soliciting Proxies

Our interest, similar to the interests of all shareholders, is to maximize shareholder value. We are soliciting your proxy to elect our two director candidates to the two seats up for election on ARI's six-member staggered board in an effort to ensure that shareholders are represented by directors who will fairly and properly consider all alternatives available to ARI.

We wrote letters to the ARI board on December 9, 2014 and September 14, 2015 (copies of which are available in our Schedule 13D filings with the SEC) outlining our analysis regarding the potential value that could be obtained for shareholders through a sale process. We also engaged with ARI during this time in an effort to encourage and assist it in engaging a financial advisor, engaging with private equity firms, and exploring a sale of the company.

Based on our analysis and review of comparable transactions, we believe that ARI's shares are significantly undervalued and that due to market conditions, including in the M&A and private equity markets, ARI has a unique opportunity to maximize shareholder value by seeking to sell the company. We believe that private equity firms and other potential buyers are eager to acquire companies like ARI at valuations that represent a significant premium to ARI's current share price, as demonstrated by recent comparable transactions in ARI's industry and similar industries.

After almost two years of discussions with the board and management of ARI, we believe that ARI has not seriously considered engaging a financial advisor who could advise the board on these matters and has not seriously reviewed strategic alternatives for shareholders.

Although ARI may now be seeking to engage a financial advisor or looking into a process, we are concerned that the ARI board would not be genuine in these efforts. We believe the ARI board would benefit greatly from the addition of two new board members who are experienced in sale transactions and will be advocates of having the company thoroughly review a potential sale process. We believe the ARI board needs new and independent directors to ensure that all possible strategic alternatives are considered for shareholders.

We have endeavored over the past two years to engage with ARI and provide assistance in engaging a financial advisor, communicating with private equity firms, and undertaking an appropriate review of strategic alternatives. We do not believe that the board and management have been genuine in their efforts to consider these matters.

We have also communicated with the ARI board in an effort to work amicably towards a resolution of this proxy contest, but ARI has not responded to our efforts. We remain open at all times to a productive dialogue with the ARI board for the benefit of all shareholders. Unfortunately, this approach has not been reciprocated by the ARI board.

We believe our director candidates will add valuable perspectives and leadership to the ARI board relating to the pursuit of strategic alternatives, as well as in many other areas. If our director candidates are elected, they will seek to make other improvements at ARI, including eliminating ARI's staggered board, reincorporating ARI in Delaware, and instituting an improved shareholder relations program. We believe our candidates possess the skills, experience, energy and leadership abilities necessary to contribute to ARI as well-rounded board members. Our director candidates will actively represent the best interests of all shareholders.

If you have any questions or require any assistance with providing your proxy or any other matters, please contact our proxy advisor, Alliance Advisors, at 855-737-3183.

If you would like to speak with Michael J. Fox of Park City Capital, we urge you to contact him directly at 214-855-0801.

Our Director Candidates

ARI reports that its board of directors is currently comprised of six directors, who are divided into three classes with staggered three-year terms. The current terms of two of ARI's directors will expire at the Annual Meeting. Under ARI's bylaws and applicable law, each of our candidates, if elected, would hold office until ARI's 2020 annual meeting of shareholders, and until such person's successor has been duly elected and qualified or until such person's death, resignation, retirement or removal.

Under ARI's bylaws, shareholders are entitled to one vote for each share held by them on each matter coming before the Annual Meeting. ARI directors are elected by a plurality of the votes cast at a meeting of shareholders at which a quorum is present, and cumulative voting is not permitted. The presence in person or by proxy of the holders of a majority of ARI's outstanding shares entitled to vote at the Annual Meeting will constitute a quorum. ARI is proposing that two directors be elected at the Annual Meeting. Therefore, at the Annual Meeting, assuming a quorum is present, the two director nominees receiving the highest number of votes, whether cast in person or by proxy, will be elected to the ARI board.

Park City Capital is not soliciting proxies to vote shares in favor of any of ARI's candidates. To support Park City Capital, you should return only our **BLUE** proxy card and not vote ARI's proxy card or for any of their nominees.

Each of our director candidates has consented in writing to be nominated as a director of ARI, to being named as a director nominee in this proxy statement and to serve on ARI's board of directors if elected or appointed to the board. At the Annual Meeting, we will nominate each of these director candidates for election to ARI's board of directors. Copies of the consents that have been signed by our nominees are included in this proxy statement as Appendix A.

Our Candidates

The following sets forth information about each of Park City Capital's director candidates. Included below is the name, age, present principal occupation, and other biographical and experience information for each of our director candidates. We believe that each of our director candidates would be considered independent under the listing standards of NASDAQ, and none of our director candidates is affiliated with ARI or any of its subsidiaries. If elected to ARI's board of directors, our director candidates would owe fiduciary duties to all of ARI's shareholders.

John M. Mueller, age 61, is the Managing Partner of Partners Private Equity LLC (PPE), a private equity firm with a focus on middle market buyouts and investments that he founded in 2013. Since October 2015, Mr. Mueller has also served as Chief Executive Officer of LTS Scale Company, a supplier of industrial scales and weighing systems, which is a portfolio company of PPE.

Prior to founding PPE, from 2001 to 2013, Mr. Mueller was Chief Executive Officer of CapitalWorks LLC, a private equity firm specializing in middle market buyout transactions. At CapitalWorks, Mr. Mueller was responsible for general management of the firm as well as investment selection, transaction structuring and portfolio management. He played a leadership role in three CapitalWorks funds over a twelve-year period. From 1993 to 2001, Mr. Mueller was the Founder and Managing Partner of Newmarket Partners, a middle market management consulting and financial advisory company specializing in performance improvement, interim management and financial restructuring. Mr. Mueller began his career at Chemical Bank in New York where he was a Vice President in the Bank's Multinational and Investment Banking Divisions. After Chemical Bank, Mr. Mueller became Vice President of Whitman Heffernan Rhein & Co., a special situations investment firm in New York (a predecessor firm to Third Avenue Funds).

Mr. Mueller has served on the board of directors of LTS Scale Company, a privately held company, since 2015. He served on the board of directors of Magnatech Manufacturing, a privately held company, from 2010 to 2015, and the board of directors of Bluffton Motor Works, also a privately held company, from 2008 to 2015. Mr. Mueller attended the University of Michigan, received his B.A. from Kent State University and received his MBA with a specialization in Finance from Georgetown University.

Business Address: c/o Partners Private Equity LLC, 1500 Enterprise Parkway, Twinsburg, Ohio 44087.

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Director Qualifications: We believe Mr. Mueller will bring valuable insights from his substantial executive and senior management experience and extensive mergers and acquisitions and financial expertise to ARI's board of directors. He is also qualified to serve as an audit committee member or chairperson and as an audit committee financial expert under the Securities and Exchange Commission's (SEC) rules. Mr. Mueller will diligently represent the best interests of the shareholders as a whole and the interests of ARI's stakeholders, as appropriate, rather than any special interest groups or constituencies.

Michael J. Fox, age 39, is the Chief Executive Officer of Park City Capital, LLC, a value-oriented investment management firm that he founded in June 2008. From 2000 to 2008, Mr. Fox worked at J.P. Morgan in New York, where he most recently served as Vice President and Senior Business Services Analyst. As J.P. Morgan's Senior Business Services Analyst, Mr. Fox headed the firm's Business Services Equity Research Group from 2005 to 2008. From 2000 to 2005, he was a member of J.P. Morgan's Leisure Equity Research Group.

Mr. Fox has served as a member of the board of directors of Resonant Inc. (NASDAQ: RESN) since February 2016 and as a member of the board of directors of AdCare Health Systems, Inc. (NYSE MKT: ADK) since October 2013, also serving as Lead Director of AdCare since April 2015. He also serves as a director of Park City Capital Offshore Master, Ltd., a Cayman Islands exempted company. Mr. Fox received his Bachelor of Business Administration degree from Texas Christian University.

Business Address: c/o Park City Capital, LLC, 200 Crescent Court, Suite 1575, Dallas, Texas 75201.

Director Qualifications: We believe Mr. Fox's expertise and background in the financial and equity markets, coupled with Park City Capital's significant financial stake in ARI, will bring to ARI's board of directors valuable perspectives on executing strategies to maximize shareholder value. He has extensive financial experience and public company experience, working with management and boards to build shareholder value. He is also qualified to serve as an audit committee member or chairperson and as an audit committee financial expert under the SEC's rules. Mr. Fox will diligently represent the best interests of the shareholders as a whole and the interests of ARI's stakeholders, as appropriate, rather than any special interest groups or constituencies.

We recommend and urge you to vote FOR the election of our director candidates by completing, signing, dating and returning in the enclosed postage-paid envelope the enclosed BLUE proxy card. If you hold ARI shares through a bank, broker or other nominee, you must provide voting instructions to that entity. If you have not received a BLUE voting instruction card from your bank, broker or other nominee, you should immediately contact the person responsible for your account to obtain a BLUE voting instruction card.

How to Provide a Proxy to Us

We urge you to complete, sign, date and return in the enclosed postage-paid envelope the enclosed **BLUE** proxy card to elect our director candidates. You will not be able to vote for our director candidates by returning a proxy card that is provided by ARI. If you hold ARI shares through a bank, broker or other nominee, you must provide voting instructions to that entity. If you have not received a **BLUE** voting instruction card from your bank, broker or other nominee, you should immediately contact the person responsible for your account to obtain a **BLUE** voting instruction card. **See the back cover page of this proxy statement for further information on how to vote your ARI shares.**

We urge you not to sign or return any proxy card or revocation card that may be sent to you by ARI. If you have already provided ARI with an executed proxy card or revocation card, you may revoke that document by executing a later dated **BLUE** proxy card and sending it to us in the enclosed postage-paid envelope (or, if you hold your shares through a bank, broker or other nominee, by returning a later dated **BLUE** voting instruction card to that entity).

WE URGE YOU NOT TO RETURN ANY PROXY CARD PROVIDED BY ARI. YOU DO NOT NEED TO (AND SHOULD NOT) VOTE WITHHOLD ON ARI S PROXY CARD TO VOTE FOR OUR DIRECTOR CANDIDATES. YOU SHOULD NOT VOTE FOR ANY OF ARI S DIRECTOR NOMINEES OR ANY OTHER MATTER ON ARI S PROXY CARD.

If you have any questions or require any assistance with providing your proxy or any other matters, please contact our proxy advisor, Alliance Advisors, at 855-737-3183.

Your proxy will authorize the proxy holders named on the proxy, with full powers of substitution and resubstitution, to raise and second motions to nominate candidates for election to ARI s board of directors, and to vote all ARI shares that you hold as of the record date, at the Annual Meeting and at any adjournments or postponements of such meeting and at any meeting called in lieu of such meeting, in each case subject to applicable law.

Your proxy will be voted as directed by you thereon and in the discretion of the proxy holders with respect to any other matters that may properly come before the Annual Meeting, including any matters incidental to the conduct of the meeting. If no choice is specified by you with respect to the election of our director candidates, the proxy holders will vote your shares for each of our director candidates, **AGAINST** the proposal to amend ARI s 2010 Equity Incentive Plan, **AGAINST** the say-on-pay proposal, **AGAINST** the auditor ratification proposal, and in the discretion of the proxy holders on any other matters coming before the meeting, including any matters incidental to the conduct of the meeting. The proxy holders will not vote any of the proxies for any of the director candidates nominated by ARI s board.

In the event that any of our director candidates is unable to serve or for good cause will not serve as a member of ARI s board of directors, the proxy holders will have the right to nominate, and vote your shares for the election of, the nominees selected in the sole discretion of the proxy holders, other than for any nominee for whom the authority to vote has been withheld on your proxy. Should substitute nominees be lawfully identified or nominated before the meeting, Park City Capital will file a revised proxy statement that identifies the substitute nominees, includes such nominees consent to being named in the revised proxy statement and to serve as directors, if elected, and includes the disclosure required by Items 5(b) and 7 of Schedule 14A with respect to such nominees.

Any proxy may be revoked prior to the proxy being voted at the Annual Meeting. You may revoke a proxy by properly executing and delivering a later dated proxy or by delivering a written revocation of a proxy. If you wish to revoke a proxy provided to ARI, please send a copy to Alliance Advisors at the fax number included on the back

cover page of this proxy statement so that we will be aware of all revocations and can attempt to ensure they are honored.

Your vote is important. Please complete, sign, date and return the enclosed BLUE proxy card in the enclosed postage-paid envelope today. If you hold ARI shares through a bank, broker or other nominee, please vote in favor of our director candidates by providing voting instructions to your bank, broker or such other nominee. If you have not received a BLUE voting instruction card from your bank, broker or other nominee, you should immediately contact the person responsible for your account to obtain a BLUE voting instruction card. See the back cover page of this proxy statement for further information on how to vote your ARI shares.

Other Matters Being Presented by ARI at the Annual Meeting

Amendment to the 2010 Equity Incentive Plan

At the Annual Meeting, ARI is requesting shareholder approval of an amendment to the ARI Network Services, Inc. 2010 Equity Incentive Plan to increase the number of shares available for grant under the plan. Due to our belief that the ARI board and management have failed to maximize value for shareholders, Park City Capital will vote its ARI shares, and recommends that you vote your ARI shares, **AGAINST** ARI's proposal to amend its 2010 Equity Incentive Plan. You may vote on this proposal on the enclosed **BLUE** proxy card (or through the **BLUE** voting instruction card provided by your bank, broker or other nominee). If you indicate your vote with respect to this proposal on our **BLUE** proxy card, we will vote your shares as instructed. If you do not specify a choice with respect to this proposal on our **BLUE** proxy card, we will vote your shares **AGAINST** this proposal. You should not return ARI's proxy card to vote on this proposal, for any of the director candidates nominated by the ARI board, or on any other matter.

Say-on-Pay

At the Annual Meeting, ARI is requesting shareholder approval, on an advisory basis, of the compensation of ARI's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the company's compensation discussion & analysis, the compensation tables and the narrative discussion, as contained in ARI's proxy statement (so called "say-on-pay"). As an advisory vote, this proposal is not binding on ARI. Due to our belief that the ARI board and management have failed to maximize value for shareholders, Park City Capital will vote its ARI shares, and recommends that you vote your ARI shares, **AGAINST** the say-on-pay proposal. You may vote on this proposal on the enclosed **BLUE** proxy card (or through the **BLUE** voting instruction card provided by your bank, broker or other nominee). If you indicate your vote with respect to this proposal on our **BLUE** proxy card, we will vote your shares as instructed. If you do not specify a choice with respect to this proposal on our **BLUE** proxy card, we will vote your shares **AGAINST** this proposal. You should not return ARI's proxy card to vote on this proposal, for any of the director candidates nominated by the ARI board, or on any other matter.

Auditor Ratification

ARI is submitting the selection of Wipfli LLP as its independent registered accounting firm for the fiscal year ending July 31, 2017 for ratification by shareholders at the Annual Meeting. Park City Capital will vote its shares **AGAINST** the company's auditor ratification proposal because of our lack of familiarity regarding the experience and qualifications of Wipfli LLP. We make no recommendation to shareholders regarding how you should vote on the auditor ratification proposal. However, you may vote on this proposal on the enclosed **BLUE** proxy card (or through the **BLUE** voting instruction card provided by your bank, broker or other nominee). If you indicate your vote with respect to this proposal on our **BLUE** proxy card, we will vote your shares as instructed. If you return our **BLUE** proxy card and do not include directions on how to vote with respect to this proposal, the proxy holders will vote your shares **AGAINST** the auditor ratification proposal. You should not return ARI's proxy card to vote on this proposal, for any of the director candidates nominated by the ARI board, or on any other matter.

Background to the Solicitation

Over the past two years, Michael J. Fox, the Managing Member and Chief Executive Officer of Park City Capital, LLC, has endeavored to engage with the board and management of ARI in an effort to share Park City Capital's analysis and views regarding the potential attractiveness of a sale of ARI and to assist the board in exploring a sale process.

On December 9, 2014, Mr. Fox provided a letter on behalf of Park City Capital to Mr. Roy Olivier, the President and Chief Executive Officer of ARI, outlining Park City Capital's analysis regarding the potential value that could be obtained for shareholders through a sale process. Park City Capital filed a copy of this letter with its Schedule 13D filed with the SEC on December 10, 2014.

After Mr. Fox sent this letter to Mr. Olivier, he attempted to engage with Mr. Olivier and the board regarding ARI's potential consideration of a sale process. Mr. Fox provided information to ARI regarding firms that could be engaged as a financial advisor, private equity firms that expressed interest in engaging in discussions with ARI, and other potential buyers that could be contacted. We believe the ARI board did not take any action relating to the consideration of a sale process in response to these discussions. After these discussions extended for almost a year, Mr. Fox determined that the ARI board was not genuinely interested in taking any actions to explore a sale process.

On September 14, 2015, Mr. Fox delivered a second letter on behalf of Park City Capital to Mr. Olivier, again expressing Park City Capital's concerns that ARI's shares were significantly undervalued. Mr. Fox outlined Park City Capital's analysis in greater detail regarding the potential value that could be obtained for shareholders through a sale process. Mr. Fox expressed Park City Capital's desire for the management and board of ARI to engage a financial advisor and take other steps to explore strategic alternatives for maximizing shareholder value. Park City Capital filed a copy of this letter with its Schedule 13D filed with the SEC on September 15, 2015.

In the year that followed, Mr. Fox continued his efforts to engage in discussions with ARI management and the board regarding hiring a financial advisor, having discussions with private equity firms and other potential buyers, and commencing a strategic review process. Mr. Fox introduced ARI to financial advisors that could potentially be engaged by the board and to three private equity firms that expressed interest in pursuing the acquisition of ARI. At the urging of Park City Capital, ARI participated in meetings or calls with the three private equity firms. However, ARI did not further engage or respond to the private equity firms, even though two of these firms expressly stated their interest in continuing to explore a potential acquisition of ARI.

On September 23, 2016, Mr. Fox reached out to Mr. Will Luden, ARI's chairman, to discuss where ARI stood regarding hiring a financial advisor, engaging with private equity firms or commencing a sale process. Mr. Fox and Mr. Luden then spoke on September 28, 2016. Mr. Fox expressed his desire for ARI to explore a sale process and that Park City Capital would like to be involved in the consideration of such a process by having one or more representatives on the board. Mr. Fox stated that Park City Capital would be submitting formal notice to nominate two directors to ARI's six-member staggered board by the deadline of October 7, 2016 under ARI's by-laws, but that Park City Capital remained open to engaging in amicable and productive discussions with ARI regarding a potential sale process and potential board representation. Mr. Luden said that he would call Mr. Fox back before October 7, but he did not.

On October 7, 2016, Park City Capital submitted to ARI a notice of its intent to nominate two director candidates at ARI's 2017 annual meeting of shareholders pursuant to requirements contained in ARI's bylaws. Park City Capital disclosed that each nominee had provided a consent to Park City Capital to be nominated as a director of ARI, to being named as a director nominee in any proxy solicitation materials of Park City Capital, and to serve on ARI's

board if elected or appointed.

Park City Capital filed a Schedule 13D with the SEC on October 7, 2016 stating that it had submitted a notice to ARI pursuant to ARI's by-laws nominating two directors for election at ARI's annual meeting of shareholders expected to be held in January 2017.

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On October 25, 2016, Park City Capital issued a press release announcing that it had initiated a proxy contest to elect two new directors to ARI's six-member staggered board at its 2017 annual meeting of shareholders expected to be held in January 2017. Park City Capital again expressed that it remained open to a productive dialogue with the ARI board for the benefit of all shareholders.

On November 14, 2016, Park City Capital sent a letter to shareholders of ARI providing greater details regarding Park City Capital's analysis regarding the premium that could be obtained for ARI shareholders in a sale of the company. Park City Capital's letter can be obtained on the SEC's website at www.sec.gov or by contacting Alliance Advisors at 855-737-3183.

If you would like to speak with Michael J. Fox of Park City Capital, we urge you to contact him directly at 214-855-0801.