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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Park City Group, Inc.

Rating: Neutral

Howard Halpern

March 14, 2008

PCYG \$2.49 — (OTC BB)

	FY (06/05)A	FY (06/06)A	FY (06/07) A	FY (06/08) E
Total revenues (in millions)	\$3.63	\$7.09	\$2.59	\$2.80
Earnings (loss) per share	(\$0.62)	\$0.22	(\$0.34)	(\$0.50)

52 - Week range	\$3.40 – \$1.75	Fiscal year ends:	June
Shares outstanding as of 02/14/08	9.20 million	Revenue/shares (ttm)	\$0.31
Approximate float	4.58 million	Price/Sales (ttm)	8.0X
Market Capitalization	\$23 million	Price/Sales (2008)E	8.0X
Tangible Book value/share	\$0.17	Price/Earnings (ttm)	NMF
Price/Book	14.6X	Price/Earnings (2008)E	NMF

Park City Group, Inc. (OTC BB: PCYG), headquartered in Park City, Utah, develops and markets patented software applications that helps its customers (retailer and suppliers) increase sales while reducing their two largest controllable expenses, inventory and labor. The Company's Business Analytics unit provides customers the opportunity to act on actionable information generated from its software portfolio, which consists of Supply Chain Profit Link (SCPL), Fresh Market Manager, and ActionManager™.

Key Investment Considerations:

We are reiterating our Neutral rating on Park City Group, Inc. (OTC BB: PCYG), pending further visibility of the sales ramp and implementation cycle for the Company's suite of offerings including Supply Chain Profit Link (SCPL) and Business Analytic services.

We will continue to monitor the number of category units obtained for SCPL, actual closed sales, and cash generated from those closed sales. At the end of January 2008, the Company publicly stated it had 66 category units from 32 retailer units. No figure was given as to the number of cash generating customers.

On February 15, 2008, the Company reported results for its Q2'08. Total revenue was \$0.494 million versus \$0.561 million in the same period last year. The net loss to common shareholders for Q2'08 was \$1.436 million or (\$0.16) per share versus a net loss of \$0.737 million or (\$0.08) per share.

Based on first half results and Managements public comments during the earnings conference call, as well as its 10-Q filings, we are lowering our forecast for fiscal 2008. Our total revenue forecast is \$2.799 million (prior was \$4.519 million) and net loss to common shareholders is \$4.677 million or (\$0.50) per share (prior was a net loss of \$2.650 million or (\$0.27) per share). Our reduced expectations are primarily due to what we continue to believe is a very slow start to the Company generating cash from its SCPL product offering.

Investors should be cognizant that slowness in SCPL conversions could change. Also, Management mentioned on the earnings conference call, the potential exists for PCYG to obtain significant one-time license fees and associated services that would require us to update our models if and when such an event occurs.

Based on cash on hand at December 31, 2007, of \$1.425 million and an estimated cash burn rate of nearly \$0.725 million per quarter, investors should note that additional capital will likely be needed near the end of fiscal 2008. However, a significant licensing agreement could defer the need to raise additional capital.

** Please view our disclaimer located on page 16.*

The Company

Park City Group, Inc. (OTC BB: PCYG), headquartered in Park City, Utah, develops and markets patented software applications, as well as providing various services through its business analytics group, that helps retailers increase their sales while reducing their two largest controllable expenses, inventory and labor. The Company owns and controls U.S. patents, trademarks, and copyrights relating to its software technology that are approved and issued, as well as a number of international patents.

Management’s goal is to rapidly expand Park City Group’s market share of software offerings (specifically the Supply Chain Profit Link application). To achieve this goal, the Company’s focus has evolved to a recurring revenue model (for Supply Chain Profit Link and other offerings) from a one-time licensed based model. Over time the Company intends to be a leading provider of technology, technology solutions, and business analytic services to serve as the preferred conduit between retailers and their suppliers in order to allow for an efficient exchange of information that should lead to improved profitability in the ever-increasing competitive landscape.

Other products in the Company’s portfolio, includes Fresh Market Manager (FMM) and ActionManager™. The former is a fully integrated suite of software product applications designed to help manage perishable food departments including bakery, deli, seafood, produce, meat, home meal replacement, dairy, frozen food, and floral. FMM helps identify the true cost of goods and provides accurate and actionable profitability data on a corporate, regional, store, and/or item-by-item basis. The latter is a suite of solutions that can forecast labor demand, schedule staff resources, and provide store managers with the necessary tools in order to keep labor costs under control, while improving customer service, satisfaction, and sales. The suite is a series of workbenches that all incorporate the Company’s Action Dashboard technology, which automates tactical, routine tasks, alerts managers to issues that require immediate attention, and gives advice on action to be taken. Investors should note that these offerings give the Company the opportunity to obtain significant one-time license fees and associated services.

The table below represents some of the customer relationships it has developed:

Wal Mart	Minute Maid	Kellogg’s
Schnuck's	Kwik Trip	Tesco-Lotus
Circle K Midwest	WinCo Foods	Home Depot
Wawa	Crate&Barrel	Williams-Sonoma
Sheetz	SeaWorld	Albertsons
Dole Foods	Limited Brands	Monterey Mushroom
Perdue	Earthbound Farm	Cannon Solutions
Food Lion	Dodge Stores	Universal Orlando
BIG DOGS	PACSUN	Biscuitville

Source: Company’s Web-site, SEC filings, news releases

Supply Chain Profit Link Offering

Supply Chain Profit Link (SCPL), is part of a fully integrated collaborative solution for supermarket and convenience store operations. Management believes that this software application delivers a significant value-add to the supplier/retailer relationship since it allows suppliers an opportunity to work with their retail partners on optimizing profits by monitoring product movement, while reducing out-of-stocks and minimizing shrink (or waste).

SCPL is a category management tool that provides a common view of key performance indicators for retailers and suppliers. The components (Cost Control Monitor; Demand Forecaster and Production Planner; and Inventory Manager) make SCPL a useful tool for both suppliers and retailers for both perishable and non-perishable goods.

Management believes that it will be able to leverage the SCPL offering through the Company’s consulting services, which includes Business Analytics. These professional service offerings include project management, technical implementation, and end-user training. The Company also provides business analytics in the area of

merchandising and store operations, which are focused on helping customers to improve their profitability through the full use of its software offerings by turning collected data into actionable information.

Strategic Focus

Park City Group’s business model has been evolving to incorporate a recurring revenue stream through the Supply Chain Profit Link (SCPL) software offering. The SCPL annual subscription license model is focused on leveraging multi-store retail chains, convenience store chains, and their respective suppliers, in order to reduce the overall reliance on one-time, non-recurring license fee revenue.

Supporting this effort was the establishment of the Company’s Business Metrics Group, which was setup to analyze decision support data for category management, promotional strategies, collaborative planning, and replenishment forecasting, as well as bolster revenue from SCPL resulting from additional consulting fees. The end goal of this unit is to convert data collected into actionable information that should assist in increasing profitability by reducing costs and in certain cases increase sales of customers.

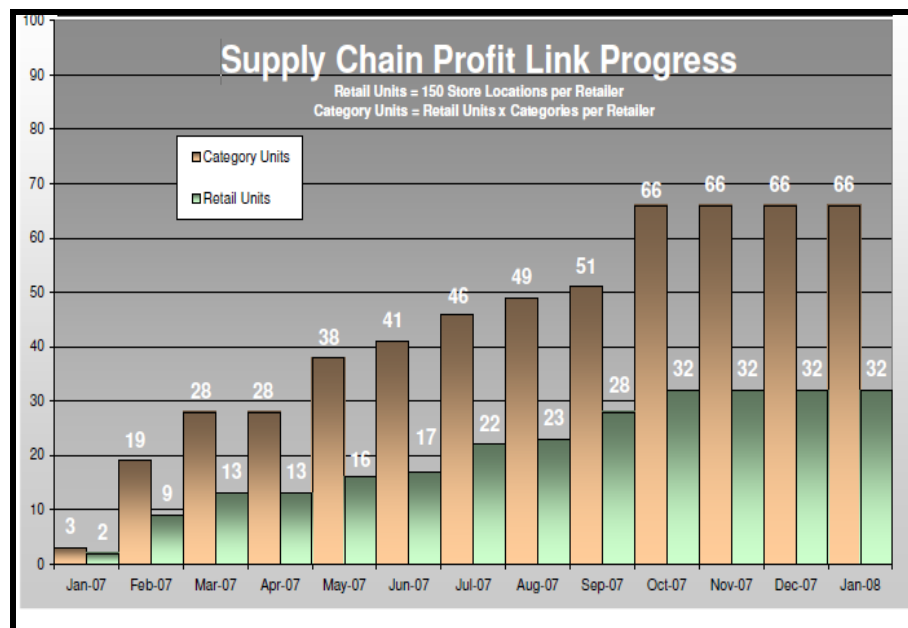
Revenue Model

Park City Group’s January 2008 update stated that it had 66 category units (defined as: retail units multiplied by categories per retailer) and 32 retail units (defined as: 150 store locations per retailer) under management. However, based on conversations with Management a large number (we estimate more than a majority) of the category units are still in the pilot or testing phase and have yet to generate any cash to the balance sheet.

It is important for investors to realize that one of the causes of the slow pace is the longer than anticipated time it is taking to collect and analyze the necessary data in order to begin the sixty day free trial to test a particular category. We believe the longer than anticipated time frame is primarily due to the customers needing assistance in gathering the proper data sets that Park City Group will ultimately need to analyze in order to get the trial period started.

The revenue model for SCPL is subscription based, which will be paid for in advance and is typically priced on a per category per year/quarter basis. ***The upfront nature of the model means that cash should run ahead of revenues.*** We assume that deferred revenue on the balance sheet should grow as customers sign up for this offering.

We believe the chart (see below) on Supply Chain Profit Line Progress, should be viewed by investors as a indicator of potential future growth, how quickly that growth occurs depends on execution:



Source: <http://www.parkcitygroup.com/PR/scpl/scplprogress.pdf>

Recent Developments

On February 21, 2008, Park City Group announced the approval of U.S. patent 7,292,991 B2, which is described as a system for “disambiguating point-of-sale data through item indexing”. This technology is intended to provide retailers with visibility into the exact assortment of items sold in general categories (i.e., bakery, deli or produce). This technology automatically converts that general data into precise sales figure for each item type. Management believes that the software technology can help retailers reduce spoilage, minimize out-of-stock situations, improve customer satisfaction, and ultimately increase profitability.

During February and January 2008, the Company announced the following appointments to the Board of Directors:

- **James R. Gillis joined the Company’s Board of Directors during February 2008.** Mr. Gillis is President, Chief Operating Officer, and Co-CEO of Source Interlink Companies, Inc., a marketing, merchandising, and fulfillment company of entertainment products. His prior experience includes serving as President, CEO, and Owner of Brand Manufacturing Corporation, a designer and manufacturer of retail display systems, as well as serving as Managing Partner of Aders, Wilcox, Gillis Group, a global developer of trade relationships serving major brand marketers and retailers worldwide.
- **Richard S. Krause joined the Company’s Board of Directors during January 2008.** Mr. Krause has twenty years of experience in senior leadership roles with consumer packaged goods manufacturers and marketers such as Procter & Gamble, Newell Rubbermaid and ConAgra Foods. He is currently President and Chief Executive Officer of Elan Nutrition, Inc., a major manufacturer and formulator of sports-performance, weight-loss and lifestyle nutrition bars and an affiliate of Sun Capital Partners.

Strategy

In addition to the deployment of the SCPL model, the Company’s operating strategy calls for the following key elements to occur in order to generate a sustainable revenue base, profitability, and maximization of shareholder value:

- Utilize its workforce, which has been fully trained to understand its customers' businesses, existing trends in the marketplace, and opportunities for new product development.
- Increase awareness of its technology solutions and services by attending industry trade shows, conduct direct marketing programs, publish industry trade articles and white papers, as well as participate in interviews and selectively advertise in industry publications.
- Obtain customers that have the potential for expansion. An opportunity occurred in fiscal 2007, when Source Interlink Companies, Inc. agreed to use Park City Group’s data management and business intelligence tools to help analyze retail front-end profitability, and manage inventory distribution, merchandising, and product placement of magazines, CDs, and DVDs. If Park City Group is successful in this endeavor, we believe this could lead to additional revenue generating opportunities within this type of retail environment. We believe this has led to the Company beginning the process of implementing a scan based trading pilot program with a well known retailer.
- Attempt to transition customers to a subscription-based model for its Fresh Market Manager (FMM) and ActionManager™ offerings. We believe this will not preclude the Company from obtaining one-time license fees for this product from larger customers that almost certainly include substantial recurring maintenance revenue, as well as professional service fees.
- Continue to seek partnerships towards the development of new and emerging retail technologies with university researchers and other entities.
- Defend its intellectual property.

Financial Results

For the three-month period ended December 31, 2007, versus the three-month period ended December 31, 2006:

- Total revenue was \$0.494 million versus \$0.561 million. Taglich Brothers' estimate called for revenue of \$0.945 million.
- EBITDA loss was \$1.252 million versus EBITDA loss of \$0.734 million;
- Total operating expenses increased to \$1.869 million versus \$1.328 million; and
- Net loss to common shareholders was \$1.436 million or (\$0.16) per share versus a net loss to common shareholders of \$0.737 million or (\$0.08) per share. Taglich Brothers' estimate called for a net loss to common shareholders of \$0.802 million or (\$0.09) per share.

The year-over-year revenue decline of 11.9% resulted primarily from no license revenue (a decrease of approximately \$0.025 million versus the same period last year), as well as a decrease in professional services revenue of approximately \$0.036 million due to the completion of certain phases of implementation provided to one of its existing international customers. Also, maintenance revenue experienced a decrease of \$0.015 million, primarily due to the expiration of two customers' maintenance agreements that were not renewed. Mitigating the decline was an increase in subscription revenue of approximately \$0.010 million that resulted from the Company's SCPL offering.

Total operating expenses increased by \$0.541 million to \$1.869 million versus \$1.328 million in the second quarter of fiscal 2007. As a percentage of total revenue, operating expense increased to 378% versus 181%. The percentage increase was due to the higher level of overall expenses for the current period compared to the same period last year, as well as lower overall sales. Also, the aggregate increase was across all expense items as noted below:

- Sales and marketing expenses increased by approximately \$0.202 million. This was primarily due to the Company adding additional sales and marketing personnel (that should help elevate market awareness of the product portfolio), sales related travel costs in order to cultivate new prospects both domestically and internationally, production of new marketing materials, as well as sales training and conducting additional market research;
- General and administrative expenses increased by approximately \$0.046 million. This was primarily the result of associated legal fees and expert testimony costs incurred from the ongoing patent lawsuits, as well as stock issued for services (a non-cash expense), and increase in healthcare and other benefit costs;
- Research and development (cost of services and product support) expenses increased by approximately \$0.203 million. This resulted from lower capitalized software costs and the hiring of professionals for its development and business analytics workforces in the U.S. and in India, and used of consulting firms to improve its database architecture; and
- Depreciation and amortization expense increased by approximately \$0.089 million. This was attributable to property plant and equipment acquisitions and capitalized software amortization due to the completion of significant enhancements and one new product release.

We estimate that the Company at December 31, 2007, had net operating loss carryforwards of in excess of \$10.0 million that can be used to offset against future taxable income through 2027.

Balance Sheet as of December 31, 2007

The Company had cash and equivalents of \$1.425 million, as well as restricted cash of \$1.940 million versus \$3.273 million and \$1.940 million, respectively as of June 30, 2007. Also, at the end of the second quarter of fiscal 2008, the Company had working capital of \$1.015 million, which was a decrease from a working capital of \$3.174 million at the end of fiscal 2007. The decrease in working capital was primarily due to the loss from operations during the first half of fiscal 2008 (which includes the hiring of eight new employees and contractors that included one-time recruitment fees, increased capital equipment spending, and various legal and accounting fees, as well as the cost of being public). The sequential reduction in cash on the balance sheet was approximately \$0.724 million. Total assets were \$5.681 million, which was a decrease from \$7.775 million at the end of fiscal 2006.

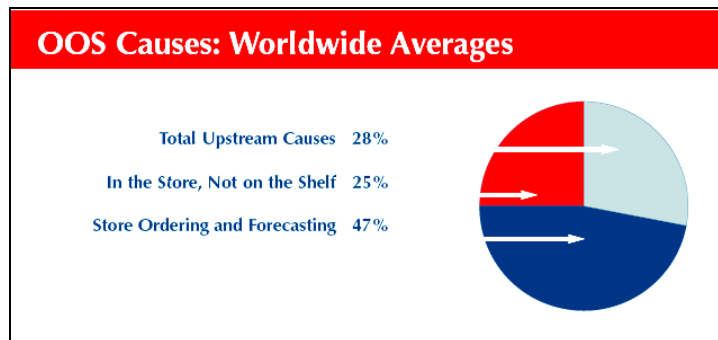
At the end of the quarter, the Company had total liabilities of \$3.277 million (including a short-term note payable of \$1.940 million, which was secured by restricted cash and due by March 31, 2008), an accumulated deficit of \$23.956 million, and total shareholders' equity of \$2.403 million. At the end of fiscal 2007, the Company had total liabilities of \$3.403 million (including a short-term note payable of \$1.940 million, which was secured by restricted cash), an accumulated deficit of \$21.783 million, and total shareholders' equity of \$4.372 million.

Management stated in the Company's 10-Q filing for the second quarter of fiscal 2008 that it believes that current working capital and cash flows from sales will allow Park City Group to fund its currently anticipated capital spending and debt service requirements until the end of June 30, 2008. Investors should note that the \$1.940 million in short-term notes payable (due by March 31, 2008, is fully secured by restricted cash). We believe unless sales ramp rapidly or a significant licensing agreement is achieved, additional funding will be needed in order for the Company to achieve its Supply Chain Profit Link objectives, bring to market enhancements to existing products currently still in development. At this point, Management has not publicly indicated that they are seeking additional financing, which if it were to occur would likely take the form of debt or equity and be dilutive to existing shareholders.

Market

The overall retail environment has become increasingly competitive due to traditional retailer consolidation, Internet retailing and most importantly, Wal-Mart. In order to remain viable, many traditional retailers are looking for technology to improve competitiveness, efficiency, and profitability. Park City Group has a portfolio of software offerings and services (Supply Chain Profit Link, Fresh Market Manager, ActionManager™, as well as consulting and business analytics) addressing what customers are looking for in order to be competitive and achieve improved economic performance.

One of the areas Park City Group's offerings address is the out-of-stock issue that retailers face. In a report entitled Retail Out-of Stocks: A Worldwide Examination of Extent, Causes, and Consumer Responses (on the Food Marketing Institute's Web site), it stated that out-of-stocks remains a large problem for retailers, distributors, and manufacturers in the worldwide consumer goods industry. It went on to state that advances in supply chain and investments in inventory tracking technology have not really reduced the overall level of out-of-stocks on store shelves. The pie chart below gives a percentage breakdown of some of the causes of out-of-stocks:



Source: http://www.fmi.org/docs/supply/OOS_Executive_Summary.pdf

The Supermarket industry is under increased competitive pressure from value retailers such as Wal-Mart, Costco (NasdaqGS: COST), Target (NYSE: TGT), etc. McKinsey & Company (a global management consulting firm) defines value retailers as mass merchants and category killers, where consumers have been trained to expect significantly lower prices (the every day low price strategy). Over the past several years, annual sales have risen by more than 20% in the grocer, consumables, and pharmacy categories for value retailers, while supermarkets saw only a minimal annual increase.

According to a report by Willard Bishop Consulting (offers marketing strategies and data modeling to improve the retail consumer experience) “The Future of Food Retailing”, by 2013 supermarkets will sell less bread and milk than non-food retailers. Value retailers such as Target, Wal-Mart, and Costco will increase their share of the food and consumables pie from 31.9% in 2004 to 43.5% by 2013. That is the primary reason why supermarkets need to focus on all areas for profitability improvement.

Convenience Store

The National Association of Convenience Stores (NACS) defines a convenience store as a retail business with primary emphasis placed on providing the public a convenient location to quickly purchase from a wide array of consumable products (predominantly food or food and gasoline) and services. According to NACS, typically a convenience store generally stock 1,500 to 3,000 items.

Specialty Retail

In general, this segment is experiencing a shrinking labor force and strong competition for qualified managers and staff. According to Park City Group, managers in this segment are time-constrained due to increased labor and inventory demands. Also, margins have become increasingly tight due to higher labor and lease expenses, as well as the ever increasing customer satisfaction demands.

Outlook

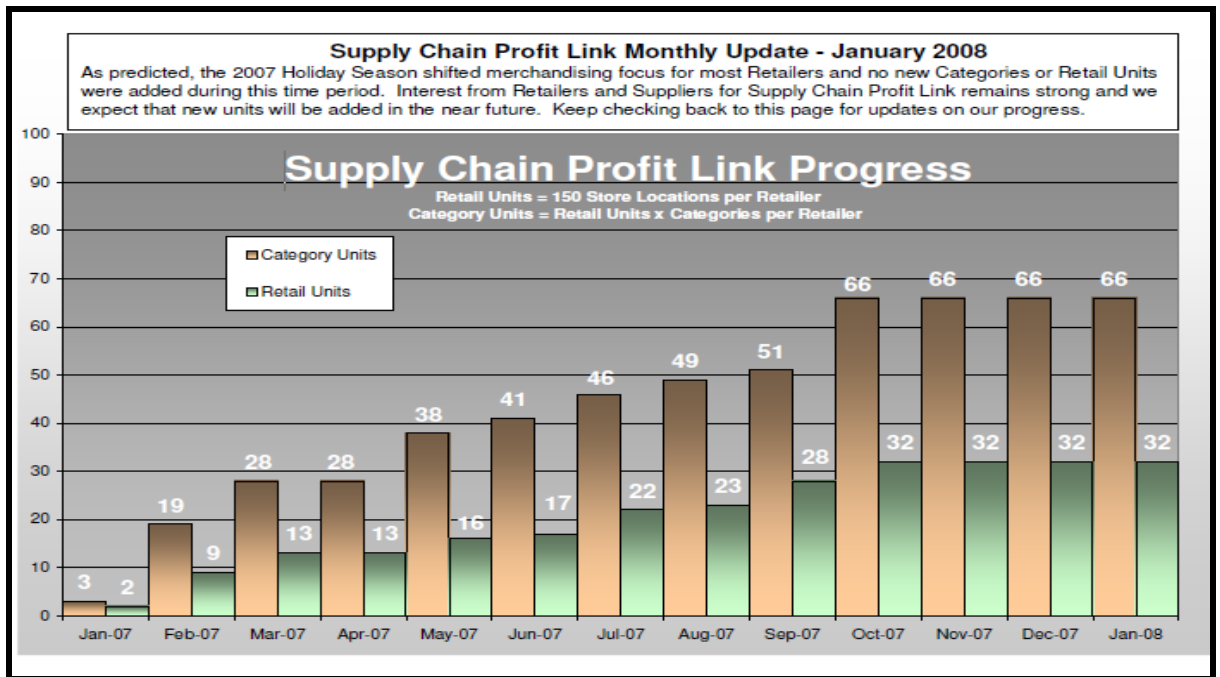
We believe the potential exists for momentum to build as the Company focuses on its Supply Chain Profit Link offering, associated business analytic services, and migration for certain customers to a recurring revenue subscription model for its other offerings (Fresh Market Manager and ActionManager™). However, investors should be cognizant that in the near term it will take time to build on the level of engagements and implementations for the Company’s SCPL offering, as well as see a reduction of licensing revenue as the subscription model for Fresh Market Manager and ActionManager™ takes hold.

While top line sequential growth occurred in the fourth quarter of fiscal 2007, sales dipped by less than \$0.100 million in the first quarter of fiscal 2008 (although as previously discussed it did increase on a year-over-year basis). We had hoped that sequential top line growth would have resumed in the second quarter of fiscal 2008. This hope was dashed with a sequential drop of \$0.067 million in the second quarter versus the first quarter of fiscal 2008. We still hold out hope that growth can occur during the balance of fiscal 2008.

Aiding the potential for growth prospects are Management’s public statements during the Company’s earnings conference call that it remains optimistic about future business opportunities. We believe it comes down to execution of its subscription model for SCPL and need to have conversions over the next six months. Also, if the Company were to close on significant licensing agreements (during the earnings conference call Management indicated three were in the pipeline) that could be an extremely positive for future operations, especially if a component of such an agreement contains a recurring revenue stream of services.

Management has also publicly stated the following in public filings and during earnings conference calls:

- It had 66 category units with 32 retail units for the time period ending January 31, 2008. Management did not state how many were converted to paying customers. Also, the Company presented the following chart (see top of next page):



Source: <http://www.parkcitygroup.com/PR/scpl/scplprogress.pdf>

On a monthly basis, the Company has been providing regular updates to this graph to show the progress (or lack there of) being made. Management indicated during the earnings conference call that it believed that the 2007 holiday season caused a near term shift in focus for many retailer; thus no new categories or retail units were added during this time period. However, it was indicated on the earnings call that interest from retailers and suppliers for SCPL remains strong, which means the potential exists that new units will be added in future periods;

- According to Management, there are numerous retailers and suppliers that are currently either in the trial phase or data collection phase prior to commencing a trial. It appears that the actual implementation of the product is taking much longer than expected as evidenced by the chart above versus the number of paid engagements (as previously stated). We feel that the lag in implementation is due to the need to collect and analyze sets of data before a trial can commence. Also, we believe investors should view the chart above as the potential pipeline of future revenue generation, once the trial is completed and a subscription commences;
- It is experiencing increased interest in the Company's offering from non-U.S. based entities;
- It is in the process of expanding an existing tier-one customer relationship, as well as partnering with other companies for use of the Company's patented technology; and
- Expansion of the Company's Pacific Rim development team has occurred, by adding additional quality assurance and business analytic staffing in India that will support growth in future periods.

Under the SCPL model, the Company believes that consulting revenue will increase in future periods as a result of its business metrics and analytics offering and that the number of engagements per customer will ramp up on a quarterly basis.

We also believe that the agreement with Source Interlink, in which Park City Group will provide data management and business intelligence tools to help analyze retail front-end profitability, and manage inventory distribution, merchandising, and product placement of magazines, CDs, and DVDs, could be an important stepping stone to additional types of business if successful. While some revenue may flow from this offering, significant revenue may not occur until fiscal 2009.

Projections

Although visibility is limited as to the number of revenue generating category units, based on the Company's strategy and revenue model, which includes the viral marketing of SCPL, we have attempted to estimate the number of category units that should over time turn into a revenue generating opportunity for the Company – see table below:

Projected Number of Category Units by the end of each Qtr						
	Q3 '07A	Q4 '07A	Q1 '08A	Q2 '08A	Q3 '08E	Q4 '08E
Current Est.					70	80
Actual/Prior Est.	28	41	51	66	104	144

Actual results from Company Web-site and Taglich Brothers estimates

Investors need to be aware that these are estimates are subject to change as additional public information becomes available; therefore our estimates for fiscal 2008 could differ materially from actual results.

Primarily based on results for the first half of fiscal 2008 (with emphasis on second quarter results, which fell short of our expectations – see recent financial section for details), comments made by Management during the Company's earnings conference call, and our diminished estimate of category units for SCPL, we are lowering our forecast for fiscal 2008.

Our total revenue forecast is \$2.799 million (prior was \$4.519 million), an EBIDTA loss of \$3.933 million (prior was an EBIDTA loss of \$1.802 million) and net loss to common shareholders is \$4.260 million or (\$0.50) per share (prior was a net loss of \$2.650 million or (\$0.27) per share). Our reduced expectations are primarily due to what we continue to believe is a very slow start to the Company generating cash from its SCPL product offering.

Our forecast for fiscal 2008 is comprised of the following:

- Overall operating expenses of \$7.307 million (prior was \$6.923 million) versus \$5.597 million reported in fiscal 2007. The aggregate change in our estimate is primarily the results of what we believe is Management's efforts to grow the top line;
- No recorded income taxes due to the projected losses our estimate of over \$10 million in net operating loss carryforwards for Federal income tax reporting purposes;
- Accrued dividends on the Company's convertible preferred stock of approximately \$0.307 million. Since the preferred stock was issued towards the end of June 2007, no corresponding dividends were recorded in 2007; and
- Average shares of approximately 9.153 million in fiscal 2008 versus 8.936 million in fiscal 2007.

It is important for investors to be aware that quarterly top line results could fluctuate materially from our forecasts primarily due to: 1) the timing of new category units for SCPL; 2) amount of consulting work associated with conversion of a paying category unit; and 3) the size and implementation of a Fresh Market Manager or ActionManager licenses and/or subscription agreements. We believe in the future that the best way to identify growth in the Company's top line is to evaluate a given twelve-month period, which should eliminate variances that might occur in any one particular quarter.

An important caveat relates to the Company's cash burn (we estimate approximately \$0.725 million per quarter over the next two quarters) relative to cash on hand based on the reduction in the cash balance experienced over the last quarter. As of September 30, 2007, the Company had cash on hand of \$2.149 million, as well as restricted cash of \$1.940 million (which will be used to payoff a current liability by March 31, 2008). As of December 31, 2007 the Company had cash on hand of \$1.425 million (approximately a \$0.724 million sequential reduction), as well as restricted cash of \$1.940 million (which should be gone by March 31, 2008). Based on our forecast, the Company should have enough cash on hand to execute on its business strategy through the end of fiscal 2008. **However, if cash generated from operations is insufficient to satisfy future liquidity requirements and cash**

burn is higher than forecast, additional financing may be required in the form of selling additional public or private equity securities or obtain debt financing. The raising of additional capital is most likely to occur in order to fund operations into fiscal 2009, unless the Company is able to obtain a large licensing agreement(s) that would bring in an immediate cash infusion along with an associated recurring revenue stream. **Management stated during the Company's second quarter earnings conference call, that they are working on three such agreements (no timing was given as to when consummation might occur). We have not included such agreements in our forecast, but will make adjustments as developments warrant.** If cash burn remains constant, the Company would likely need at least \$3 million to fund operations through the end of fiscal 2009 (June 30, 2009).

Risks

Potential Losses

The Company has incurred losses in the past and there can be no assurance that it will operate at a profit in the future.

For the years ended June 30, 2007 and June 30, 2006, Park City Group experienced a net loss of \$3.012 million and net income of \$1.394 million, respectively. During the first half of fiscal 2008, the Company experienced a net loss of \$2.173 million. According to Management, there can be no assurance that the Company will operate at a profit during future fiscal years. If it does not operate profitably in the future, the current cash position may diminish, as previously detailed above.

Fluctuation of Operating Results

Management expects a portion of the Company's revenue stream to come from license sales to new customers, which will fluctuate since sales to retailers are difficult to predict, in terms of magnitude and timing. In addition, the Company may potentially experience significant fluctuations in future operating results caused by a variety of factors, many of which are outside of its control, including:

- Demand for and market acceptance of new products;
- Capacity utilization;
- Technical difficulties, system downtime;
- Fluctuations in data communications and telecommunications costs;
- The timing and magnitude of capital expenditures and requirements;
- Costs relating to the expansion or upgrading of operations, facilities, and infrastructure;
- Changes in pricing policies and those of competitors;
- Changes in regulatory laws and policies; and
- General economic conditions, particularly those related to the information technology industry.

Liquidity and Capital Requirements

The Company completed (during its fiscal fourth quarter of 2007) the sale of convertible preferred stock (Taglich Brothers was the placement agent for the transaction) from which was received gross proceeds of \$5.8 million (net proceeds were nearly \$5.3 million). We had believed it would have had adequate cash resources to fund operations for at least the next year and one-half. However, following the second quarter of fiscal 2008, it appears the Company has enough capital resources to fund operations until the end of fiscal 2008 (June 30, 2008). Thereafter, liquidity and capital requirements will depend upon numerous other factors, including the extent to which products and services gain market acceptance, progress and scope of product evaluations, extent of ongoing research and development programs, and costs involved related to developing marketing, distribution capabilities, as well as its ability to raise additional capital.

The bottom line is that investors should be aware that if cash generated from operations is insufficient to satisfy future liquidity requirements, additional financing may be required in the form of selling additional public or private equity securities or obtain debt financing. That financing may not be available at all or, if available, may not be obtainable on favorable terms. If needed capital is not available when required, the Company may be required to reduce the scope of planned operations, which would negatively impact operations. Investors also

need to be cognizant that additional financing may be dilutive to existing stockholders' current ownership stake in the Company.

Attract and Retain Qualified Personnel

Success will likely depend on Management's ability to identify, attract, hire, train, retain, and motivate various employees, including skilled software development, technical, managerial, sales, marketing, and customer service personnel. Competition for such employees is likely to be intense and the Company may be unable to attract or retain such professionals. If these types of professionals are not hired or retained after being hired, future results and organic growth could be negatively impacted.

Shareholder Control

According to the Company's October 16, 2007 Form 4 filing, Randall K. Fields, its CEO, controls approximately 38.9% of Park City Group's common stock. We estimate that other officers and directors control approximately 6.1% of the Company's common stock. Therefore, the Company's CEO, officers, and directors combined will be able to significantly influence all matters requiring approval by stockholders, including the election of directors and significant corporate transactions.

Reliance on the Company's CEO and Chairman

Park City Group's success depends heavily upon the continued technical and management contributions of Randall K. Fields, whose knowledge, leadership and expertise would be difficult to replace.

Related Party Transactions

In March 2006, the Company obtained a note payable from a bank in the amount of \$1.940 million. Riverview Financial Corporation, a wholly owned affiliate of the Company's CEO, was the guarantor and received a fee of 3.0% of the outstanding balance of the note payable as consideration for the guarantee. However, during March 2007 the Company set aside cash in a certificate of deposit to secure the note payable thus releasing Riverview Financial Corp as guarantor.

The Company had a revolving line of credit with Riverview to cover short-term cash needs pursuant to a promissory note payable. The credit facility has a maximum draw amount of \$0.800 million and would have born interest at 12% with a fee for advances. The revolving line of credit had no activity in fiscal 2007 and upon expiration was not renewed.

The Company had a note payable to Riverview Financial Corporation; however, in March 2006 the note payable and accrued interest was converted to 1,324,693 shares of common stock.

Shift in Revenue Mix

Historically, the Company offered its software applications and related maintenance contracts to new customers on a one-time upfront license strategy and provided an option for annually renewing of their maintenance agreements. Due to the fact that the one-time licensing fee approach was subject to inconsistent and unpredictable revenues, the Company began offering prospective customers an option for monthly licensing of these products. Under this option, customers may now choose to acquire the software in an application solution provider basis, resulting in monthly charges for use of the software and maintenance. The conversion from a onetime, non-recurring licensing strategy to monthly-based fees is subject to customers preferring a one-time fee rather than monthly fees, as well as a threshold level (number of locations) at which the monthly based fee structure may not be economical to the customer and a request to convert from monthly fees to annual fee could occur.

Customer Concentration

During fiscal 2007, the Company received approximately \$0.505 million of its revenue from new customers and approximately \$2.1 million in revenue from existing customers for continued support and additional license sales.

Also, two customers in fiscal 2007 and one customer in fiscal 2006 exceeded 10% of the Company's total revenue.

Management believes that existing customers may continue to account for a substantial portion of total revenues in future reporting periods, as it transitions to its Supply Chain Profit Link platform. The ability to retain those customers and attract new customers will depend on a variety of factors, including the relative success of marketing strategies and the performance, quality, features, and price of current and future products. Therefore, if customer accounts are lost or customer orders decrease, revenues and operating results may be negatively impacted. Additionally, the Company has experienced the loss of long-term maintenance customers, as reliability and dependability of the product requires less maintenance on a long-term basis.

Growth Management

Investors need to be aware that as the Company becomes increasingly successful, it must meet the challenges associated with growth. If the Company is not successful in meeting these challenges, its business will be adversely impacted.

Protection of Intellectual Property Rights

Management seeks to protect software, documentation, and other written materials primarily through a combination of patents, trademarks, copyright laws, trade secret laws, confidentiality procedures, and contractual provisions. While attempting to safeguard and maintain proprietary rights, there can be no assurances Management will be successful in doing so, since competitors may independently develop or patent technologies that are substantially equivalent or superior.

Also, despite efforts to protect proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or obtain and use information that is regarded as proprietary. Policing unauthorized use of its software products is difficult and while Management may be unable to determine the extent to which piracy exists software piracy can be expected to be a persistent problem, particularly in foreign countries where the laws may not protect proprietary rights as fully as the United States. No assurance can be given that the Company's means of protecting its proprietary rights will be adequate or that competitors will not reverse engineer or independently develop similar technology.

Competition

The market for Park City Group's products and services is very competitive. Management believes the principal competitive factors include product quality, reliability, performance, price, vendor and product reputation, financial stability, features and functions, ease of use, quality of support, and degree of integration effort required with other systems. Many of the Company's potential competitors are larger and have greater financial and operational resources. This may allow them to offer better pricing terms to customers in the industry, which could result in a loss of potential or current customers or could force a reduction in prices.

According to the Company's SEC filings, it competes with companies such as Workbrain (publicly traded on the Toronto exchange), Electronic Data Systems (NYSE: EDS), and private companies such as Radiant Systems, Kronos Incorporated, Tomax Retail.net, and Capgemini.

Corporate Governance

Wall Street has increased its focus on corporate governance and placed increased emphasis on the accountability of Management and Directors to shareholders. Investors are also increasingly considering executive compensation and familial relationships. The above factors have brought about the passage of the Sarbanes-Oxley Act of 2002 by Congress and signature by the President. Corporate governance may be an issue facing the Company in light of new rules and regulations being issued by government regulatory agencies. This could mean that the Company will eventually be required to spend some money in order to retain external resources to verify compliance under the act.

Legal Issue

During fiscal 2007, the Company filed a lawsuit against Workbrain Corporation titled Park City Group, Inc. vs. Workbrain Corporation, which is pending in the Federal District Court for the District of Utah. The Company

claims that Workbrain Corporation is infringing upon its patent #5,111,391. The Company will vigorously pursue this matter. The case is expected to go to trial sometime during calendar 2008.

According to the Company's 2007 SEC filings, it was served with a complaint from two previous employees titled James D. Horton and Aaron Prevo v Park City Group, Inc. and Randy Fields, which has been filed in the Second Judicial District Court, Davis County, Utah. The plaintiffs' complaint alleges that certain provisions of their employment agreements were not honored. The Company denies all allegations in the complaint and will vigorously defend this matter.

Miscellaneous Risk

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

Liquidity is a potential concern. Based on our calculations, the average daily-volume for calendar 2005 was 3,690 shares. During calendar 2006 average daily volume increased to 7,754 shares traded a day. During 2007 average daily volume decreased to 8,784 shares traded a day and further decreased during the first two months of 2008 to 3,250 shares traded a day. Investors need to be aware that by nature a thinly traded equity can have significant price volatility. The OTC BB is a market that is relatively thinly traded as compared to the NASDAQ markets, AMEX, and NYSE. This may present increased risk and liquidity concerns to shareholders.

Conclusion

We are reiterating our Neutral rating on Park City Group, Inc. (OTC BB: PCYG), pending further visibility of the sales ramp and implementation cycle for the Company's suite of offerings including Supply Chain Profit Link (SCPL) and Business Analytic services.

We will continue to monitor the number of category units obtained for SCPL, actual closed sales, and cash generated from those closed sales. At the end of January 2008, the Company publicly stated it had 66 category units from 32 retailer units; although, no figure was given as to the number of cash generating customers.

We believe it is still a prudent course of action for investors to give the Company the remaining two quarters of fiscal 2008 in order to execute on its sales of SCPL. Investors should be cognizant that cash and deferred revenue from SCPL will only occur after a pilot test is completed and implementation occurs.

Based on cash on hand at December 31, 2007 of \$1.425 million and an estimated cash burn rate of nearly \$0.725 million per quarter, investors should note that additional capital will need to be raised near the end of fiscal 2008. However, a significant licensing agreement could defer the need to raise additional capital. **If cash burn remains constant, the Company would likely need at least \$3 million to fund operations through the end of fiscal 2009 (June 30, 2009).**

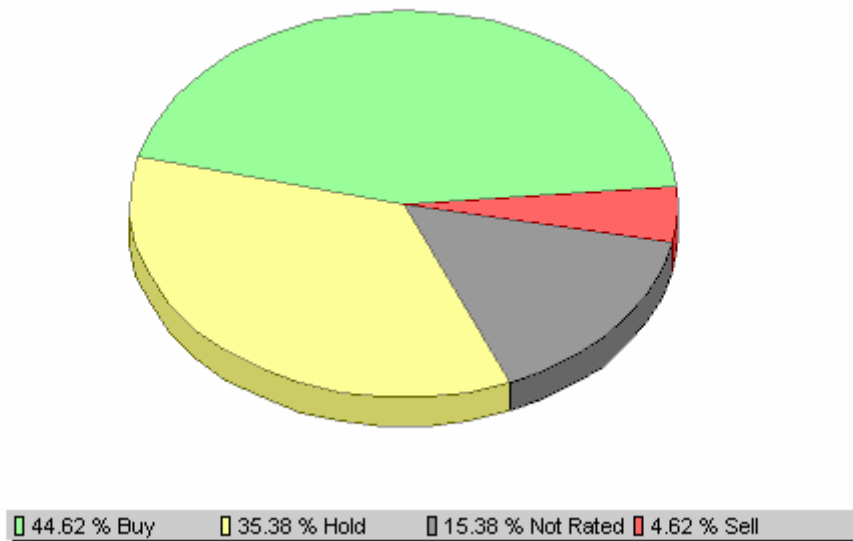
It is our view that an investment in the shares of PCYG is only suitable for highly risk tolerant investors that can withstand the ups and down of a Company that is in the process of building a foundation for future growth. The risks that investors should be aware of include:

- Cash burn;
- Development of an annual subscription model for SCPL application, as well as the revenue mix;
- Potential losses from operations;
- Low daily trading volume; and
- Liquidity and capital requirements that appear to indicate additional funding will be needed by the end of fiscal 2008 (as mentioned above).

Park City Group, Inc.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0
Hold	2	10.0%
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public Companies mentioned in this report:

Wal Mart (NYSE: WMT)

Costco (NasdaqGS: COST)

Target (NYSE: TGT)

* The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research. All research issued by Taglich Brothers, Inc. is based on public information.

As of March 13, 2008, Michael Taglich, President, and Robert Taglich, Managing Director, each own 89,860 shares and 72,727 shares, respectively, of PCYG restricted common stock from the June 2006 offering. Taglich Brothers, Inc. has an Investment Banking relationship with the company. As of March 13, 2008, Michael Taglich, President, and Robert Taglich, Managing Director, each own 25,25,804 shares and 25,709 shares, respectively, of PCYG Series A 7% Convertible Preferred from the June 2007 private placement. As of March 13, 2008, Michael Taglich and Robert Taglich, each own 103,242 warrants that were attained from private placements for the company in June 2006 and June 2007. Also, Michael Taglich owns or has a controlling interest in 70,000 common shares. Robert Taglich owns or has a controlling interest in 5,000 common shares. Doug Hailey, Director of Investment Banking, owns 27,263 warrants that were attained from private placements for the company in June 2006 and June 2007. Robert Schroeder, Vice President of Investment Banking, owns 80,880 warrants that were attained from private placements for the company in June 2006 and June 2007. Vincent Palmieri, Vice President of Capital Markets, owns 23,627 warrants that were attained from private placements for the company in June 2006 and June 2007. Michael Brunone, Executive Vice President, owns 14,418 warrants that were attained from private placements for the company in June 2006 and June 2007. Russell Bernier, Vice President of Institutional Sales, owns 6,280 warrants attained from private placements for the company in June 2006 and June 2007, as well as 2,154 shares of PCYG Series A 7% Convertible Preferred from the June 2007 private placement. Richard Oh, Managing Director and Director of Research, owns 17,534 warrants that were attained from private placements for the company in June 2006 and June 2007. In June 2006, Taglich Brothers, Inc. raised \$5,000,000 for the company through a private placement of 1,183,149 shares of unregistered common stock. Also, in June 2007, Taglich Brothers, Inc. raised \$5.840 million for the company through a private placement of \$10 Series A 7% Convertible Preferred, which is convertible at \$3.00 per share.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid for the creation and dissemination of research reports for the first year a monetary fee of \$21,000 (USD) on September 2006, and after the first year of publication will pay a monthly monetary fee of \$1,750 (USD) to Taglich Brothers, Inc., for the creation and dissemination of research reports.

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Park City Group, Inc.
Consolidated Balance Sheets*
(in thousands)

	June 2005	June 2006	June 2007	Sept. 2007	Dec. 2007
	Full Year	Full Year	Full Year	1st Qtr End	2nd Qtr End
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 210	\$ 3,517	\$ 3,273	\$ 2,149	\$ 1,425
Restricted cash	-	-	1,940	1,940	1,940
Receivables, net of allowances	327	103	480	752	536
Other receivables	29	238	556	561	92
Prepaid expenses and other current assets	37	174	101	127	110
Total current assets	603	4,032	6,351	5,528	4,103
Property and equipment, net	110	85	482	716	707
Deposits and other assets	25	30	28	29	25
Capitalized software costs, net	332	680	915	905	846
Total assets	<u>\$ 1,070</u>	<u>\$ 4,826</u>	<u>\$ 7,775</u>	<u>\$ 7,178</u>	<u>\$ 5,681</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	628	112	388	627	587
Accrued liabilities	317	230	273	328	434
Deferred revenue	883	649	505	249	57
Line of credit	-	-	-	-	-
Current portion of capital lease obligations	23	17	71	70	70
Derivative liability	-	490	-	-	-
Related party payable lines of credit	620	-	-	-	-
Related party accrued interest	848	-	-	-	-
Related party notes payable, net of discount	333	-	-	-	-
Notes payable, net of discounts	1,945	-	1,940	1,940	1,940
Total current liabilities	5,597	1,497	3,177	3,213	3,088
Long-term note payable, net of discount	-	1,843	-	-	-
Long-term related party note payable, net of discount	3,173	-	-	-	-
Capital lease obligations, less current portion	2	5	225	208	189
Preferred stock -- Series A convertible Preferred	-	-	6	6	6
Stockholders' equity:					
Common stock, \$0.01 par value; authorized 50,000,000 shares	57	89	90	90	92
Additional paid-in capital	12,807	20,565	26,166	26,182	26,262
Subscription receivable	-	-	(106)	-	-
Accumulated deficit	(20,566)	(19,173)	(21,783)	(22,521)	(23,956)
Total stockholders' equity	(7,703)	1,482	4,366	3,751	2,398
Total liabilities and stockholders' equity	<u>\$ 1,070</u>	<u>\$ 4,826</u>	<u>\$ 7,775</u>	<u>\$ 7,178</u>	<u>\$ 5,681</u>
SHARES OUT	5,651	8,931	8,931	9,045	9,192

* Totals may not add due to rounding

Park City Group, Inc.
Annual Income Statement Model*
For the Years Ended June 30,
(in thousands)

	<u>FY2006A</u>	<u>FY2007A</u>	<u>FY2008E</u>
Subscriptions	182	89	280
Maintenance and support	2,272	1,513	1,546
Professional services	1,004	464	430
License fees	<u>3,627</u>	<u>526</u>	<u>543</u>
Total Revenues	<u>7,085</u>	<u>2,592</u>	<u>2,799</u>
Operating Expenses:			
Research and development (cost of services and product support)	1,451	1,718	2,316
Sales and marketing	1,410	1,508	2,117
General and administrative	1,585	2,003	2,379
Depreciation and amortization	<u>550</u>	<u>369</u>	<u>495</u>
Total Operating Expenses	<u>4,997</u>	<u>5,597</u>	<u>7,307</u>
EBITDA	2,843	(2,414)	(3,933)
Operating Income (loss)	2,088	(3,005)	(4,508)
<i>Operating Margin</i>	29.47%	-115.93%	-161.04%
Other income (expense)			
Other	-	19	200
Derivative liability	(35)	89	-
Interest expense	<u>(660)</u>	<u>(115)</u>	<u>48</u>
Total Other Income (expense)	<u>(695)</u>	<u>(7)</u>	<u>248</u>
Pre-Tax Income (loss)	1,394	(3,012)	(4,260)
<i>Pre-Tax Margins</i>	19.67%	-116.18%	-152.18%
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>
<i>Tax Rate</i>	0.00%	0.00%	0.00%
Net income (loss)	<u>\$ 1,394</u>	<u>\$ (3,012)</u>	<u>\$ (4,260)</u>
Accrued preferred dividend	-	-	307
Net income (loss) to common shareholders	<u>\$ 1,394</u>	<u>\$ (3,012)</u>	<u>\$ (4,567)</u>
Earnings per share	<u>\$ 0.22</u>	<u>\$ (0.34)</u>	<u>\$ (0.50)</u>
Avg Shares Outstanding	6,263	8,936	9,153

*The components that comprise total revenue were restated by the Company in the fiscal 2007 annual report.

Park City Group, Inc.
Income Statement Model
For the Year Ended June 30, 2007
(in thousands)

	Q1(09/06)A	Q2 (12/06)A	Q3 (03/07)A*	Q4 (06/07)A*	FY2007A
Subscriptions	21	23			89
Maintenance and support	448	397			1,513
Professional services	116	115			464
License fees	-	25			526
Total Revenues	586	561	498	947	2,592
Operating Expenses:					
Research and development (cost of services and product support)	342	378	242	613	1,718
Sales and marketing	290	381	377	527	1,508
General and administrative	428	536	507	506	2,003
Depreciation and amortization	100	33	76	156	369
Total Operating Expenses	1,160	1,328	1,202	1,801	5,597
EBITDA	(475)	(734)	(587)	(516)	(2,414)
Operating Income (loss)	(575)	(767)	(704)	(854)	(3,005)
<i>Operating Margin</i>	-98.07%	-136.78%	-141.37%	-90.10%	-115.93%
Other income (expense)					
Other	-	-	64	(45)	19
Derivative liability	56	33	-	-	89
Interest expense	(26)	(3)	(48)	(7)	(115)
Total Other Income (expense)	31	30	16	(52)	(7)
Pre-Tax Income (loss)	(544)	(737)	(688)	(906)	(3,012)
<i>Pre-Tax Margins</i>	-92.86%	-131.47%	-138.19%	-95.59%	-116.18%
Income Tax Expense (Benefit)	-	-	-	-	-
<i>Tax Rate</i>	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	\$ (544)	\$ (737)	\$ (688)	\$ (906)	\$ (3,012)
Earnings per share	\$ (0.06)	\$ (0.08)	\$ (0.08)	\$ (0.10)	\$ (0.34)
Avg Shares Outstanding	8,931	8,931	8,934	8,946	8,936

*The components that comprise total revenue were restated by the Company in the fiscal 2007 annual report; therefore as fiscal 2008 quarters are reported we will be able to quantify the individual components that make up total revenue.

Park City Group, Inc.
Income Statement Model
For the Year Ended June 30, 2008*
(in thousands)

	<u>Q1(09/07)A</u>	<u>Q2 (12/07)A</u>	<u>Q3 (03/08)E</u>	<u>Q4 (06/08)E</u>	<u>FY2008E</u>
Subscriptions	86	34	60	100	280
Maintenance and support	379	382	385	400	1,546
Professional services	126	79	100	125	430
License fees	<u>263</u>	<u>-</u>	<u>130</u>	<u>150</u>	<u>543</u>
Total Revenues	<u>854</u>	<u>494</u>	<u>675</u>	<u>775</u>	<u>2,799</u>
Operating Expenses:					
Research and development	580	581	575	580	2,316
Sales and marketing	419	583	550	565	2,117
General and administrative	622	583	585	590	2,379
Depreciation and amortization	<u>112</u>	<u>123</u>	<u>130</u>	<u>130</u>	<u>495</u>
Total Operating Expenses	<u>1,733</u>	<u>1,869</u>	<u>1,840</u>	<u>1,865</u>	<u>7,307</u>
EBITDA	(726)	(1,252)	(1,015)	(940)	(3,933)
Operating Income (loss)	(878)	(1,374)	(1,165)	(1,090)	(4,508)
<i>Operating Margin</i>	-102.83%	-277.95%	-172.52%	-140.62%	-161.04%
Other income (expense)					
Other	200	-	-	-	200
Derivative liability	-	-	-	-	-
Interest expense	<u>24</u>	<u>13</u>	<u>8</u>	<u>3</u>	<u>48</u>
Total Other Income (expense)	<u>224</u>	<u>13</u>	<u>8</u>	<u>3</u>	<u>248</u>
Pre-Tax Income (loss)	(655)	(1,361)	(1,157)	(1,087)	(4,260)
<i>Pre-Tax Margins</i>	-76.65%	-275.24%	-171.34%	-140.23%	-152.18%
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Tax Rate</i>	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	<u>\$ (655)</u>	<u>\$ (1,361)</u>	<u>\$ (1,157)</u>	<u>\$ (1,087)</u>	<u>\$ (4,260)</u>
Earnings per share	<u>\$ (0.08)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.13)</u>	<u>\$ (0.50)</u>
Avg Shares Outstanding	9,022	9,155	9,210	9,225	9,153

Park City Group, Inc.
Cash Flow Statement*
(in thousands)

			6Mos.	
	FY2005A	FY2006A	FY2007A	Fiscal 2008A
<i>Cash Flows from Operating Activities</i>				
Net Income (loss)	\$ (3,408)	\$ 1,394	\$ (3,012)	\$ (2,016)
Depreciation and amortization	338	288	279	235
Bad debt expense	358	70	(47)	82
Loss on derivative liability	-	35	(89)	-
Stock issued for services and expenses	677	205	223	40
Amortization of discounts on debt	178	224	97	-
Marketable securities	-	-	52	-
Gain on sale of patent	-	-	-	(200)
Gain on recovery of bad debt	-	-	(52)	-
Gain on sale of property	-	-	(1)	-
Gain on settlement of payable	-	-	-	-
Gain on forgiveness of debt	-	-	-	-
	<u>(1,857)</u>	<u>2,216</u>	<u>(2,550)</u>	<u>(1,859)</u>
<i>Changes In:</i>				
Trade receivables	458	154	(330)	(138)
Other receivables	(29)	(209)	(319)	465
Prepays and other assets	169	(142)	75	(7)
Accounts payable	301	(516)	276	198
Accrued liabilities	(108)	(87)	37	86
Deferred revenue	(228)	(235)	(143)	(448)
Related party payable	-	97	-	-
Accrued interest, related party	501	(554)	6	-
Net changes in working capital	<u>1,063</u>	<u>(1,491)</u>	<u>(398)</u>	<u>156</u>
Net cash Provided by Operations	<u>(794)</u>	<u>725</u>	<u>(2,948)</u>	<u>(1,703)</u>
<i>Cash Flows from Investing Activities</i>				
Purchase of property and equipment	(35)	(22)	(182)	(315)
Capitalization of software costs	-	(565)	(419)	(76)
Restricted cash	-	-	(1,940)	-
Proceeds from disposal of property	3	-	3	200
Cash Flows from Investing Activities	<u>(32)</u>	<u>(587)</u>	<u>(2,539)</u>	<u>(191)</u>
<i>Cash Flows from Financing Activities</i>				
Net (payments) proceeds in lines of credit	620	(717)	-	-
Offering costs associated with issuance of stock	-	-	-	(24)
Receipt of subscription receivable	-	-	-	106
Proceeds from issuances of stock, net of offering costs	150	4,435	5,279	-
Payment of extend note	(9)	(9)	-	-
Proceeds from debt	-	1,833	-	-
Payments on notes payable and capital leases	(38)	(2,373)	(36)	(37)
Net cash provided by Financing	<u>723</u>	<u>3,169</u>	<u>5,243</u>	<u>45</u>
Net change in Cash	(103)	3,307	(244)	(1,848)
Cash Beginning of Period	<u>313</u>	<u>210</u>	<u>3,517</u>	<u>3,273</u>
Cash End of Period	<u>\$ 210</u>	<u>\$ 3,517</u>	<u>\$ 3,273</u>	<u>\$ 1,425</u>

* Totals may not add due to rounding