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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: Speculative Buy

Howard Halpern

June 22, 2009

PCYG \$1.50 — (OTC BB)

	FY (06/07) A	FY (06/08) A	FY (06/09) E*	FY (06/10) E
Total revenues (in millions)	\$2.59	\$3.35	\$5.85	\$11.09
Earnings (loss) per share	(\$0.33)	(\$0.35)	(\$0.50)	(\$0.06)

52 - Week range	\$3.20 – \$0.55	Fiscal year ends:	June
Shares outstanding as of 05/18/09	10.08 million	Revenue/shares (ttm)	\$0.46
Approximate float	5.73 million	Price/Sales (ttm)	3.3X
Market Capitalization	\$15 million	Price/Sales (2010)E	1.3X
Tangible Book value/share	(\$0.49)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2010)E	NMF

* Includes non-recurring impairment charge of \$1.457 million or approximately (\$0.15) per share related to capitalized software.

Park City Group, Inc. (OTC BB: PCYG), headquartered in Park City, Utah, provides solutions & services that enable retailers & suppliers to work collaboratively as strategic partners to reduce out-of-stocks, shrinkage, inventory, and labor while improving profits, efficiencies, and customer service. The Company's Consumer Driven Sales Optimization™ (CDSO) model, builds on its Scan Based Trading platform in order to provide retailers and suppliers both a technology and business performance solution that captures, manages, analyzes, and shares critical data, thus bringing greater visibility throughout the supply chain.

Key Investment Considerations:

We are maintaining our Speculative Buy rating on shares of Park City Group, Inc. (OTC BB: PCYG) and increasing our 12-month price target to \$2.20 per share from \$2.00. Our price target is based on a relative price-to-sales and EBITDA analysis.

On May 26, 2009, the Company reported results for its Q3'09 (which included the acquisition of Prescient). Total revenue was \$2.5 million versus \$1.2 million in the same period last year (which did not include Prescient). The net loss to common shareholders was \$2.0 million or (\$0.21) per share versus a net loss to common shareholders of \$0.3 million or (\$0.03) per share. Included in current period results was a non-recurring impairment of capitalized software of approximately \$1.5 million or (\$0.15) per share.

Based on comments made by Management during the Company's third quarter conference call and 8K filing of April 30, 2009, we have adjusted our forecast for fiscal 2009, which calls for total revenue of \$5.8 million (prior was \$5.6 million), EBITDA loss of approximately \$1.0 million (prior was \$1.3 million), and net loss to common shareholders of \$4.9 million or (\$0.50) per share (prior was \$3.3 million or (\$0.35) per share). The net loss includes the impairment charge mentioned above.

Based on the introduction of the CDSO™ model, our view of PCYG's sales cycle trends, and our interpretation of Management's financial goals, we are forecasting an improvement for fiscal 2010. We estimate total revenue of \$11.1 million, EBITDA of approximately \$2.1 million, and a net loss applicable to common shareholders of \$0.6 million or (\$0.06) per share. Our prior forecast called for total revenue of \$12.3 million, EBITDA of approximately \$2.00 million, and a net loss applicable to common shareholders of \$0.4 million or (\$0.04) per share.

*** Please view our disclaimer located on page 18.**

The Company

Park City Group, Inc. (OTC BB: PCYG), headquartered in Park City, Utah, specializes in solutions and services for the Grocery, Mass Merchant, Drug, Specialty and Convenience-Store markets that enable retailers and their suppliers to work collaboratively as strategic partners to reduce out-of-stocks, shrinkage, inventory, and labor while improving profits, efficiencies, and customer service. The Company owns and controls approved and issued U.S. patents, trademarks, and copyrights relating to its software technology, as well as a number of international patents.

Management’s goal is for Park City Group to allow its customers (retailers and suppliers) to turn information (primarily about the supply chain) into cash and increased sales. Park City Group believes it can accomplish this goal not just by offering software technology but through the creation of a new business process for the retailer and supplier communities (which also includes wholesalers, distributors, and/or brokers). The new business process should be accomplished via the creation of the Consumer Driven Sales Optimization™ model (CDSO), which builds on its Scan Based Trading platform in order to provide retailers and suppliers both a technology and business performance solution that captures, manages, analyzes, and shares critical data, thus bringing greater visibility throughout the supply chain. The CDSO model also gives PCYG the opportunity to serve as the preferred conduit between retailers and their suppliers since it is designed to provide an efficient exchange of information that should lead to improved profitability and improved collaboration for its customers. The CDSO model represents a recurring revenue stream.

The Scan Based Trading platform (which was enhanced by the January 2009 acquisition of Prescient) captures information at the point of sale in order to provide greater visibility into real-time demand and turn that data into actionable information across the entire supply chain. That information enables trading partners to compete effectively, increasing profitability and excelling in the retail business climate.

A key driver for the acquisition was that its solutions (especially the ability to create a Scan Based Trading hub) address the primary concern of retailers and suppliers: out of stock merchandise. The retail supply chain and replenishment solutions offered by Prescient provided trading partners with the ability to clearly see real-time demand and use that knowledge to drive supply chain efficiency, which results in more accurate ordering and replenishment, lower inventory levels, and the reduction of out of stock conditions that can degrade profitability.

The Scan Based Trading technology platform developed by Prescient (in which Prescient invested approximately \$100 million) is the acquisition’s most significant contribution. The acquisition accelerated the process of creating the CDSO™ model and provides visibility into store-level product movement, allowing suppliers to spend more time merchandising product, and reducing time-consuming operational drudgery in the retailer-supplier relationship.

The Prescient solution brought with it an established platform that was processing approximately \$1.5 billion dollars annually of transactions at the time of the acquisition. Since that time, Management publicly announced on May 26, 2009 that figure has grown closer to \$2.0 billion with some 1,000 trading relationships servicing approximately 300 distribution centers in about 35,000 retail locations.

For the three months ended March 31, 2009, Prescient contributed approximately \$2.1 million to top line results or approximately 83.4% of total sales for the third quarter of fiscal 2009.

The table below represents some of the current customer relationships:

WalMart	Target	Meijer
WinCo Foods	Ahold	Farm Fresh Markets
Giant	TESCO	The Home Depot
Stop & Shop	Kroger	Wawa
Bi-Lo	Wegmans	Sheetz
Schnucks	Kwik Trip	Publix Super Markets

Source: Park City Group, Inc.

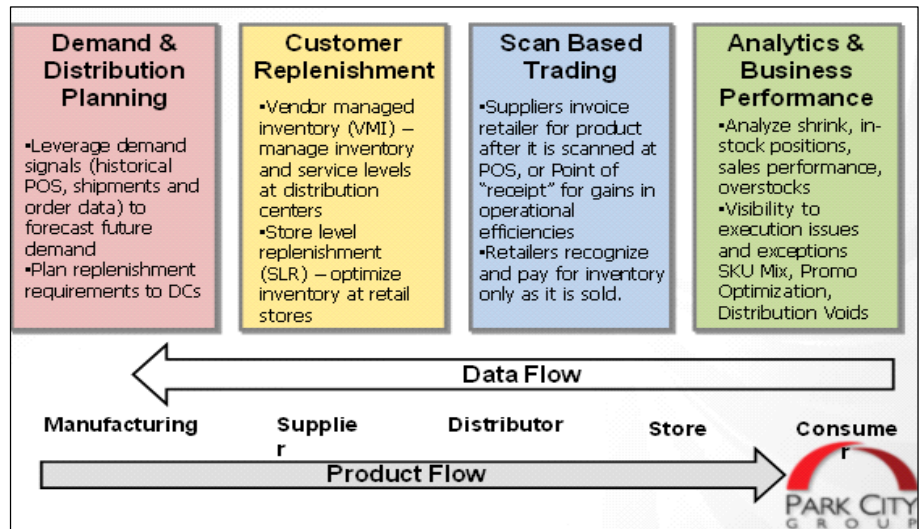
Business Model

The Consumer Driven Sales Optimization™ (CDSO) model is the business process that Management has worked to create based on its portfolio of solutions. Based on the CDSO model, Park City Group believes it can become the trusted independent advisor to manage the key elements of the CDSO process, which include:

- Providing a completely unobstructed view from the point-of-sale device all the way back to the factory floor of the supplier; and
- Accelerating supply chain alignment in terms of the retailer and supplier having an aligned financial interest. This translates to the suppliers selling through retailers to the consumer (instead of selling to retailers), which means that suppliers will be contractually paid upon the point of sale transaction. It also means that the inventory resides with the supplier.

This model is fully integrated and modular and is built on the following solutions (see chart to the right – Source: company presentation):

Also, the Company’s Supply Chain Profit Link (SCPL) service adds to the business process since this technology was developed to assist both retailers and suppliers drive improved customers satisfaction ratings and bottom line profits. The offering is part of a fully integrated collaborative solution for retail 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 shrinkage (or waste).

To implement CDSO model, Park City Group has instituted a Hub and Spoke model, whereby the Hubs are the retailers and the Spokes are the distributors or suppliers. The value proposition that the Management of Park City Group markets to top level executives at both retailers and suppliers are detailed in the table below:

Retailer	Supplier
Reduced inventories that should provide more cash and less debt	Improved consumer response visibility due to much improved sales visibility
Increased sales	Improved sales
Reduced out-of-stocks	Reduced financial risk from retailer failures
Potentially generate labor savings	Increased efficiency in terms of promotional spending
Improved financial condition	Reduced slotting fees
Improved accounting and tracking efficiencies	Improved and more efficient demand planning
Improved customer experience	Improved accounting and tracking efficiencies

Source: April 30, 2009 8K filing

The following are the characteristics of the Hub and Spoke model:

- A typical Hub will have between 50 and 150 supplier spokes. Importantly, over time supplier spokes have the potential to migrate between multiple Hubs;
- Management anticipates that it will likely take approximately three year for a Hub to mature;

- The recurring monetary value of the Hub during year number three is anticipated to approximate \$750,000;
- Management believes that as the Hub matures PCYG will be able to sell additional suite of products and services to both the retailer and supplier spokes;

The sales cycle and getting the Hub up and running (which is dependent on the amount of source data to analyze) can be anywhere between thirty and ninety days;

To provide perspective, the following chart graphically depicts the ideal Hub and Spoke system:



Source: Park City Group Inc.

Recent Developments

On June 3, 2009, the Company announced that Phantom Fireworks, a long-time customer of PCYG, expanded their Scan Based Trading program to include three new retail partners. The new partners include a national mass merchandising chain, convenience store chain, and Northeast grocery chain. Phantom Fireworks, an importer, retailer, and wholesaler of consumer fireworks, uses both Scan Based Trading and Visibility & Analytics solutions.

On April 8, 2009, the Company announced that Buzzy, Inc. (a marketer of Herb, Vegetable, and Flower Grow Kits to most leading U.S. retailers in all trade classes) selected PCYG's Scan Based Trading simulation and advanced reporting solution to accommodate its SBT program with a specialty retail partner. Buzzy chose Park City Group for assistance to manage its point of sale transaction data. According to Buzzy, it sought out and identified a solution with better reporting, improved reliability of data and enhanced visibility to item and store specific sales. It is important to note that Buzzy will spend more time to make strategic changes and less time managing data.

Strategy

We believe that Management is strategically focused on growing operations, expanding the customer base, becoming cash flow positive, and moving towards bottom line profitability. All of which should increase shareholder value as time progresses. In our view, the following measures are being taken to achieve those strategic objectives:

- Continue to control costs. According to prior public statements, Management identified approximately \$4 million in annualized cost reductions related to the acquisition of Prescient. The cost reductions began to appear in fiscal third quarter 2009 results and should be fully recognized during fiscal 2010;
- Sign on additional Hubs. The Company's publicly stated goal is to sign, on-board (collecting and analyzing the initial set of data/information that will allow the Hub to become operational), and be in the process of implementing six new Hubs by the end of calendar 2009. Management's near term strategic goal is by the end of fiscal 2009 (ending June 30, 2009) to have signed, on-boarded, and

commenced the implementation process for three new Hubs. Management also aims to launch three more Hubs by December 2009. If 2009 goals are achieved, the Company's existing Hubs will double to six (the six existing Hubs had ten or more supplier connections as of May 5, 2009). The potential annualized value of each new Hub during the first year is estimated by the Company to be \$100,000 with the second year's annualized value at approximately \$400,000 million;

- Increasing senior level marketing efforts towards its target market. Park City Group's target markets include all major retail channels (i.e., grocery, specialty, home improvement, office supply, electronics, sporting goods, etc.) and all the suppliers that support those channels, as well as all raw material, packaging, and source material providers that supply those channels;
- Highlighting the benefits of the Company's business model. On April 1, 2009, Park City Group announced that Aunt Millie's Bakeries is seeing significant time and cost saving with a large Midwestern retailer utilizing the Scan Based Trading platform and Direct Store Delivery (DSD) data synchronization technologies. Aunt Millie's and its retail partner use Park City Group's platform as a collaborative foundation for managing their relationship, ensuring both parties are fully aware of new items, cost discrepancies and promotions through the use of DSD data synchronization. New item notification and acknowledgement allows Aunt Millie's visibility that a product has been accepted and set up in the retailer's system, which means that it can be delivered to stores without errors or invoice discrepancies. Cost discrepancy reporting and promotion notification has also allowed Aunt Millie's to resolve issues proactively. Ultimately, the business processes developed by Park City Group have resulted in a noticeable reduction in shrinkage since both the supplier and retailer have increased visibility to shrinkage count. This ensures that the retailer is not surprised by an unexpectedly large shrinkage bill, and allows for a quicker realization and resolution of the causes of shrinkage.

As the value of the Company's business process and technology become more visible, it should make the marketing process easier over time; thus, providing the opportunity to grow the business at an accelerated pace over the next three years and beyond; and

- Building strategic alliances and closer business relationships. The Prescient acquisition brings with it strong relationships with consulting firms and technology providers like MicroStrategy and Microsoft. They have also been actively engaged in key industry associations, including: Private Label Manufacturer's Association and Texas A&M University's Center for Retailing Studies.

It is Management's belief that the combination between PCYG and Prescient provided the opportunity to accelerate the creation of the CDSO™ and Hub and Spoke business model, improving the potential for generating revenue that would not otherwise be possible in the absence of the combination. Also, this combination offers the opportunity to develop additional products and services in the future that would benefit existing customers and potentially to expand the customer base.

Recent Financial Results

For the third quarter of fiscal 2009 (the three-month period ended March 31, 2009), versus third quarter of fiscal 2008 (the three-month period ended March 31, 2008):

- Total revenue was \$2.5 million versus \$1.2 million. Taglich Brothers' estimate called for revenue of \$1.9 million;
- EBITDA of \$0.2 million versus an EBITDA loss of \$0.4 million;
- Total operating expenses of \$4.1 million versus \$1.7 million. The current period included a non-recurring impairment of capitalized software in the amount of approximately \$1.5 million. There was no charge in the same period last year; and
- Net loss to common shareholders was \$2.0 million or (\$0.21) per share versus a net loss to common shareholders of \$0.3 million or (\$0.03) per share. Taglich Brothers' estimate called for a net loss to common shareholders of \$0.6 million or (\$0.07) per share. Investors should recognize that the impairment charge during the current period negatively impacted results by approximately (\$0.15) per share.

The year-over-year revenue increase of 117.8% resulted primarily from the consummation of the Prescient acquisition, which contributed approximately \$2.1 million to total revenue during the three month period ended March 31, 2009. No revenue from Prescient occurred during the same period last year. Mitigating the overall increase in total revenue was an approximately \$0.534 million decline in license sales. Investors should note that the organic growth did occur from PCYG's Supply Chain Profit Link platform, which increased by approximately \$20,000.

Management believes that as the Company benefits from the product synergies resulting from Prescient, and as PCGY continues its focus on marketing the combined products and services on a subscription basis, total revenue will continue to be positively impacted.

Total 3Q'09 revenue consisted of the following:

- Subscription revenue increased by approximately \$1.3 million, which was principally due to the acquisition of Prescient, which contributed approximately \$1.3 million in subscription revenue;
- Maintenance revenues increased by approximately \$0.298 million, which was due to Prescient contributing approximately \$0.379 million during the current period quarter. Mitigating the overall increase was the loss of two customer maintenance agreements that impacted results by approximately \$0.082 million;
- Professional services revenue increased by approximately \$0.3 million, which was due to Prescient contributing approximately \$0.2 million. Management believes that professional services may experience periodic fluctuations as the need for its analytics offerings and change-management services becomes a natural addition to its Software as a Service (SaaS) offerings; and
- License revenue decreased by approximately \$0.5 million. The decline resulted from a large license sale that occurred during the same quarter in 2008. Mitigating the decrease was the acquisition of Prescient, which contributed approximately \$0.2 million in license revenue.

Total operating expenses increased by approximately \$2.3 million to nearly \$4.1 million versus \$1.7 million in the third quarter of fiscal 2008. As a percentage of total revenue, operating expense (excluding the impairment charge for capitalized software of \$1.457 million) decreased to 105% versus 152%. The percentage decrease was the result of increased top line results from the acquisition of Prescient, as well as the elimination of duplicate costs between PCYG and Prescient. The overall aggregate increase in operating expenses was as follows:

- Cost of services and product support expense increased by approximately \$0.7 million due to the acquisition of Prescient, which resulted in an additional \$0.8 million in costs not incurred in the comparable period in 2008. The increase in expenses was principally due to the combination of personnel, data center services, travel, and software support costs and expenses. Mitigating the overall increase was a decline of approximately \$0.1 million from lower consulting fees, the elimination of redundant technology resources and personnel, and reduced communications and maintenance contracts in the course of consolidating redundant facilities. The 3Q'09 10Q filing stated that the Company has continued to decrease staff while pursuing the integration of operations with Prescient, and its business strategy to automate certain IT data gathering and processing, which has resulted in a reduction of its expenditures related to ongoing product support and IT services;
- Sales and marketing expenses declined by approximately \$22,000. The decrease was primarily due to the elimination of redundant marketing departments and overlapping executive sales staff, and sales support personnel between Park City Group and Prescient, which occurred between September 2008 and January of 2009;
- General and administrative expenses increased by approximately \$0.1 million, primarily resulting from costs and expenses incurred in connection with and as a result of acquisition of Prescient. Mitigating the increase were lower legal fees associated with the Company's defense of its patents and a decrease in other compensation;
- Impairment of capitalized software (an intangible asset) resulted from the consummation of the Prescient acquisition and based on Management's assessment of the value of certain acquired

intangible assets, as well as Management's anticipated operating plan and product strategy going forward. As a result, an impairment charge of approximately \$1.5 million was recorded during the current period. According to the Company's 3Q'09 10Q filing, Management considered all of the Company assets during its evaluation; however, there was no impairment noted related to any other assets. There was no impairment charge during the same period last year; and

- Depreciation and amortization expense increased by approximately \$0.1 million. This was attributable to software costs capitalized in prior year and the result of amortization due to the completion of the significant enhancements and the release of the developed product, as well as the acquisition of Prescient.

We estimate that the Company at March 31, 2009, had net operating loss carryforwards in excess of \$13.0 million that can be used to offset future taxable income through 2028.

Balance Sheet as of March 31, 2009

The Company had cash and equivalents of approximately \$1.1 million and zero restricted cash (resulted from the retirement of a note payable in the amount of \$1.9 million) versus cash and equivalents of approximately \$0.9 million and \$1.9 million of restricted cash as of June 30, 2008. Also, at the end of the 3Q'09, the Company had a working capital deficit of approximately \$4.3 million, which was a decrease from a working capital of approximately \$0.6 million at the end of fiscal 2008. The decrease in working capital was primarily due to additional current indebtedness of \$3.9 million incurred to finance the acquisition of Prescient, including approximately \$0.7 million in additional accrued liabilities, primarily due to an increase in accrued dividends, as well as a loss from operations during the first nine months of fiscal 2009. On a sequential basis, cash on the balance sheet increased by approximately \$0.7 million. Total assets were \$11.9 million, which was an increase from \$5.2 million at the end of fiscal 2008.

At the end of the quarter, the Company had total liabilities of approximately \$13.2 million (including short-term notes payable and line of credit that totaled approximately \$3.0 million and long-term notes payable and line of credit that totaled \$4.5 million, primarily resulting from the acquisition of Prescient), an accumulated deficit of \$29.4 million, and a shareholders' deficit of \$1.4 million. At the end of fiscal 2008, the Company had total liabilities of \$3.4 million (including a short-term note payable of \$1.9 million, which was secured by restricted cash), an accumulated deficit of approximately \$25 million, and total shareholders' equity of \$1.6 million.

To assist in the financing of the November 2008 acquisition, the Company obtained a \$3 million line of credit from US Bank. Riverview Financial Corporation, a wholly owned affiliate of the Company's Chief Executive Officer, guarantees this line of credit, and receives a fee of 3% per annum of the outstanding balance of the line of credit paid monthly as consideration for the guarantee. At March 31, 2009, the line was drawn in the amount of approximately \$2.8 million. The line bears interest of 7.26% per annum and matures November 24, 2010. On April 1, 2009, the Company refinanced a note payable to Riverview Financial in the amount of approximately \$0.622 million. The note, which matures during November 2011, bears an annual interest rate 12% (however, interest will be paid quarterly).

The accretive nature of the Prescient acquisition (in terms of the top line, EBITDA, and bottom line), as well as organic revenue growth, and implementation of cost controls should allow the Company to meet its minimum operating cash requirements during the next twelve months. Supporting our view is the expectation of the Company generating positive EBITDA of approximately \$0.3 million for the fourth quarter of 2009. It should be noted that during the third quarter of fiscal 2009, the Company generated positive EBITDA of approximately \$0.2 million. That is why we believe that operating needs should be met by cash on hand, the credit facility, and the generation of positive EBITDA.

Management stated in the Company's 3Q'09 10Q filing that while no assurances can be given, it believes that the combination of anticipated revenue growth, consummation of the Prescient merger, and further cost reductions will allow the PCYG to meet its minimum operating cash requirements for the next twelve months.

Market

The overall retail environment has become increasingly competitive due to the global economic downturn, bankruptcies, consolidation, Internet retailing and the growing dominance of Wal-Mart. In order to remain viable, many traditional retailers are looking for technology to improve competitiveness, efficiency, and profitability. Park City Group has recently introduced the Consumer Driven Sales Optimization™ model based on its extensive portfolio of software solutions and services offerings that directly address what customers are looking for in order to be more competitive and achieve greater economic performance. In particular, the Scan Based Trading platform it operates is on an annualized basis processing approximately \$2 billion dollars of transactions and assisting in the reduction of out-of-stocks.

One of the areas Park City Group's expanded solutions address is the out-of-stock issue that retailers face. During January 2009, a Supply Chain Digest Magazine article entitled Just How Big is the Out-of-Stocks Problem in Retail? asserted that retailers are in denial about out-of-stocks. The article also stated that the IHL report entitled What's the Deal With Out-of-Stocks?, indicated that the true out-of-stock rate experienced by consumers is 17.8%, which is 123% higher than the out-of-stock rate claimed by retailers for themselves. One potential reason for the higher rate indicated in the report may be due to the definition. IHL (a research & advisory firm specializing in technologies for retail & hospitality industries) defines out-of-stocks as basically being any condition that prevents the consumer from purchasing a product and leaving the store without making a purchase of that product. The article suggested that approximately 9% of all consumers simply stop shopping at one or more retailers in the last twelve months due to the out-of-stock problem. In a prior report, it was estimated that grocery stores are losing approximately \$0.68 cents in sales for every customer that is unable to find a particular product or a reasonable replacement.

It should be noted that consumers do not care why the product is unavailable, they just want the product. The following are some of the reasons for out-of-stocks:

- Poor planning by buyers;
- Problems in store execution;
- Supplier delivery problems;
- Inadequate staffing; and
- Merchandising and marketing get the advertisement timing wrong.

Investors should note that PCYG's portfolio of solutions addresses each of the above reasons for out-of-stocks.

The summary report on 2008 Out-of-Stocks offered by IHL stated that one in six consumers shopping in grocery and household goods retailers experience an out-of-stock situation and don't purchase a substitute product.

The established Scan Based Trading platform of PCYG is an important market area. The following are some important historic points regarding this segment that were made years ago:

- In the early 2000s that Scan Based Trading surfaced as a new way to organize procurement and distribution responsibilities in the supply chain. A key change in common practice is the ownership of goods, where under this platform they remain the property of the supplier until they have been sold to the customer at the point of sale.
- In 2005, Prescient Applied Intelligence offered the following key trends that we believe continue to be market drivers:
 - The focus on the consumer, which we believe coincides with the need to reduce out-of-stocks in order to maintain consumer satisfaction;
 - Collaboration. This is occurring between retailers and suppliers in order to align the supply chain;
 - Demand driven environment, which appears to continually growing; and
 - The constant ability to demonstrate to suppliers that this platform results in increased sales, inventory reduction, and fewer deductions and invoice discrepancies.

- Based on our own research, a wide variety of companies use some form of Scan Based Trading within their operations. Those companies include Office Depot, Staples, Sports Authority, Barnes & Noble, Target, Rite Aid, etc. Given that these types of companies are utilizing this platform, it should provide an opportunity for Park City Group to grow this segment. Also, in a January 20, 2009, article Retailers Overhaul Business as Consumers Pull Back, by the Associated Press, the following was stated:

Stung by the worry that shoppers who cut spending by the most dramatic amount in at least 39 years this holiday season may not start spending again for a long timer, stores are making drastic changes. They are cutting out marginal suppliers, hiring outside experts to keep inventory lean, holding special events for those who are still buying and making extraordinary efforts to gauge customer satisfaction.

The economic situation that has caused those types of actions to be taken, provide an opportunity for PCYG to benefit, especially in terms of the relationship between the retailer and supplier, as well as aiding in the process of keeping inventory levels lean.

- Also important for investors to take into account are some facts related to the Supply Chain Technology market:
 - According to AMR Research (a provider of subscription advisory services and peer networking opportunities to operations and IT executives in the consumer products, life sciences, manufacturing, and retail sectors) in a November 2008 press release announcing its finding stated that the supply chain management applications market is estimated to grow by 7% annually over the next five years despite gloomy economic conditions. Currently, the market is \$6.5 billion and should grow close to \$9.2 billion in 2012. The report stated that the current economic challenges will offer much greater opportunity for supply chain technology adoption. Also, the belief is that the supply chain will play an important role in helping companies deal and thrive in an economy that is going to be quite unlike anything seen since WW II; and
 - According to IDC (a global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets), Simon Ellis (Supply Chain Strategies practice director) stated that for 2009, the expectation is for a very strong cost and customer focus in supply chain behavior. Also, continuing supply chain complexity should drive investments in optimization, modernization, and risk mitigation.

Supermarkets

The following are some statistics related to the supermarket industry (source: Food Marketing Institute (FMI), which conducts programs in research, education, industry relations, and public affairs on behalf of its 1,500 member companies — food retailers and wholesalers — in the United States and around the world). Below are the most recent statistics that were published in May of 2009:

- 2008 total sales for supermarkets with \$2 million in annual sales amounted to \$547.1 billion (consisting of 35,394 stores) versus \$535.4 billion (consisting of 34,967 stores) in 2007;
- Sales per labor hour equaled \$145.51 in 2007, which was an increase from \$138.90 in 2007;
- Average number of trips per week consumers made equaled 2.0 time in 2008 versus 1.9-times during 2007; and
- Average number of items carried in a supermarket was 46,852.

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 stocks 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 increasing customer satisfaction demands.

Outlook


In our view, Prescient was a perfect fit for Park City Group. We believe that with this acquisition, Park City Group could potentially improve its position as a leading provider of advanced commerce and supply chain solutions for retail trading partners. This is evidenced by Management establishing the CDSO™ business process model, which is built on its Scan Based Trading platform and business analytic services. We believe that this model gives PCYG the opportunity to serve as the preferred conduit between retailers and their suppliers as it is designed to provide an efficient exchange of information that should lead to improved profitability for its customers.

The acceptance by retailers and suppliers appears to be occurring as Management anticipates being able meet its goal of signing, on boarding, and commencement of implementation of six Hubs by December 31, 2009. We believe that the confidence in its business model was a primary factor in leading Management to offer the Financial Performance Goals – see chart to the right (Source: Park City Group) on April 30, 2009 and May 5, 2009.

It is our view that investors should be cognizant that the graphic above are financial goals and should only be used as a guidepost as to future results. Also, the financial goal in the graphic above for fiscal 2009 is pro-forma (as if the Prescient acquisition occurred at the start of fiscal 2009).

(In \$Millions)	FY 2009 E	FY 2010 E	FY 2011 E	FY 2012 E
Base Revenue	\$ 10.2	\$ 10.4	\$ 10.9	\$ 11.8
SBT /CDSO (Hub)	\$ -	\$ 1.1	\$ 5.5	\$ 14.3
Total Revenue	\$ 10.2	\$ 11.5	\$ 16.4	\$ 26.1
Fixed Costs	\$ (7.65)	\$ (6.9)	\$ (7.1)	\$ (7.3)
Variable Costs	\$ (2.55)	\$ (2.3)	\$ (3.4)	\$ (5.2)
Total Expense	\$ (10.2)	\$ (9.2)	\$ (10.5)	\$ (12.5)
EBITDA	\$ -	\$ 2.3	\$ 5.9	\$ 13.6
Other	\$ (6.7)	\$ (1.6)	\$ (1.2)	\$ (0.6)
Net Income	\$ (6.7)	\$ 0.7	\$ 4.7	\$ 13.0
Net Pre Tax Margin		6%	28%	50%
EPS (Fully Dil 13.0 mil shrs)	\$ (0.52)	\$ 0.05	\$ 0.36	\$ 1.00

Fully diluted number of shares 3/31/08 = 13.0 mil



Investors should be aware of the following that should occur over the near and intermediate terms that should help the Company on its path to getting towards its financial goals:

Near-term:

- For the nine month period ended March 31, 2009, total revenue on a pro forma basis (as if the Prescient acquisition occurred at the start of the fiscal year) was \$7.9 million according to the Company's third quarter fiscal 2009 10Q filing. That indicates based on the above graphic that fourth quarter revenue should approximate \$2.3 million. During the third quarter of fiscal 2009, the Company reported EBITDA of approximately \$0.213 million. Indications are that EBITDA during the fourth quarter of fiscal 2009 should meet or exceed that level; and
- Management stated during its third quarter earnings conference call that its goal is to have signed, on boarded, and having commenced the implementation process for three new Hubs by the end of fiscal 2009, which ends June 30, 2009. According to Management, two have already begun the implementation process.

Intermediate-term:

- Management stated during its third quarter earnings conference call that its goal is to launch three additional Hubs by December 31, 2009.

The tough economic times, which is likely to persist for some time to come, provides the Company an opportunity to represent its solutions to customers as a cost saving and productivity tool that will be an investment in their future.

Investors should realize that the Company has effectively transitioned its business model from one that historically generated approximately 70% of its revenues from license-related business to one that now generates at least 70% of revenues from recurring subscription-based customers (in terms of subscription and maintenance and support) as a result of the acquisition of Prescient. During the third quarter of fiscal 2009 that percentage was 81.8%. It is our view that this transition should lead to improved profitability in the ever-increasing competitive landscape for customers (suppliers and retailers to assist in managing portions of their supply chains).

Projections

We continue to caution that visibility is somewhat limited as to the exact timing and cost of Hub implementations. This is why our forecast (both top and bottom line) differs from the Company's financial goals, especially for fiscal 2010. Based on our interpretation of Management's public statements, as well as general operating trends, we are making adjustments to our near term forecast (the balance of fiscal 2009). In fiscal 2010, we believe that the acquisition provides the basis for growth that will accelerate during the second half of the year.

We are forecasting total revenue for the fourth quarter of fiscal 2009 of nearly \$2.4 million. Applying our fourth quarter estimate to the prior nine months of Park City Group (in which Q1'09 and Q2'09 did not include the Prescient acquisition) our total revenue forecast for fiscal 2009 is approximately \$5.8 million (prior was \$5.6 million). Based on our fourth quarter forecast, pro-forma revenue (as if the Prescient acquisition occurred at the start of fiscal 2009) would equate to approximately \$10.3 million.

Our revised forecast for fiscal 2009, which calls for an EBITDA loss of approximately \$1 million (prior was loss of \$1.3 million), and a net loss to common shareholders of \$4.9 million or (\$0.50) per share (prior was \$3.3 million or (\$0.35) per share) is comprised of the following:

- A non-recurring impairment charge for capitalized software recorded in the third quarter of fiscal 2009 of approximately \$1.5 million or approximately (\$0.15) per share;
- Overall operating expenses (excluding the impairment charge of approximately \$1.5 million) of \$7.7 million (first half of \$2.8 versus second half forecast of \$5 million) versus \$6.8 million reported in fiscal 2008. The aggregate amount of our estimate comprises the Prescient acquisition, as well as Management's cost reduction efforts as previously described. To lend some perspective, during the six month period ended June 30, 2008, Prescient had operating expenses of \$5.7 million, excluding an impairment charge;
- No recorded income taxes due to projected losses, and an estimated \$13 million in net operating loss carryforwards for Federal income tax reporting purposes;
- Interest expense of \$0.590 million, as the Company (as previously discussed) borrowed funds to make the acquisition;
- Accrued dividends on the Company's convertible preferred stock of approximately \$0.8 million; and
- Average shares of approximately 9.674 million.

Our second half forecast for fiscal 2009 (which includes Prescient) calls for top line results of approximately \$4.9 million (prior was \$4.6 million) and EBITDA of \$0.5 million (prior was \$0.2 million) versus first half results of approximately \$1 million and an EBITDA loss of \$1.5 million, respectively.

For fiscal 2010, we estimate total revenue of \$11.1 million (prior was \$12.3 million), EBITDA of \$2.1 million (prior \$1.9 million), operating income of \$1.1 million (prior was \$0.8 million) and a net loss applicable to common shareholders of \$0.6 million or (\$0.06) per share (prior was \$0.3 million or (\$0.04) per share). Our EBITDA forecast approximates 19% of forecasted total revenues for fiscal 2010. Our average share forecast is approximately 10.2 million.

Quarterly top line results could fluctuate materially from our forecasts primarily due to: 1) the timing of obtaining, on boarding, and completing the implementation process for a Hub/losing customers; 2) amount of consulting work associated with a new customer; and 3) the size and implementation of a non subscription based license. We continue to believe 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.

The Company stated in its third quarter of fiscal 2009 SEC filing that Management believes that anticipated revenue growth, consummation of the merger (which occurred on January 14, 2009), and cost control will allow the Company to meet its minimum operating cash requirements for the next twelve months.

We believe that the third quarter fiscal 2009 results was a positive step along the path to operational profitability and the generation of positive EBITDA. We are forecasting that based on cash on hand, the generation of positive EBITDA in fiscal 2010 of approximately \$2.1 million, and ability to fund operations via loans from officers or line of credit that Park City Group should have the ability to fund operations for at least the next twelve months.

However, if cash generated from operations is insufficient to satisfy future liquidity requirements and cash burn occurs instead of our forecasted cash generation, additional financing may be required in the form of selling additional public or private equity securities or debt financing.

Risks

In our view, these are the principal risks underlying the stock:

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. However, the acquisition of Prescient Applied Intelligence should provide the opportunity to mitigate potential future losses and also provide the potential to generate an operating profit.

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.

Liquidity and Capital Requirements

According to the Company's SEC filings, historically, PCYG has been successful in raising capital when necessary (which includes stock issuances, securing loans from its officers, directors, including the CEO and majority stockholder in order to fund its operations) in addition to proceeds collected from sales; however, there can be no assurances that it will be able to do so in the future. Management has publicly stated that it anticipates that PCYG will have adequate cash resources to fund its operations for at least the next 12 months.

Shareholder Control

According to SEC filings, as of May 27, 2009, Randall K. Fields, its CEO, controls approximately 39.7% of Park City Group's common stock. We estimate that other officers and directors control approximately 4% 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.

Acquisition Risk

Prescient is the first significant acquisition made by Management. The combined Company has been and will continue to devote significant attention and resources to integrating its business practices and operations. Potential difficulties that may be encountered include:

- The inability to achieve the cost savings and operating synergies anticipated;
- Lost sales and clients as a result of certain clients of either of the two companies who decide not to do business with PCYG;
- Complexities associated with managing the combined businesses;
- Integrating personnel from different corporate cultures while maintaining focus on providing consistent, high quality products and services;
- Potential unknown liabilities and increased costs associated with the Prescient;
- Performance shortfalls at one or both of the two companies as a result of the diversion of Management's attention; and
- Loss of key personnel, many of whom have proprietary information.

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.

Based on the Prescient acquisition, the Company anticipates it will now generate approximately 70% of revenues from recurring subscription-based customers (in terms of subscription and maintenance and support). During the third quarter of fiscal 2009 that figure was approximately 82%.

Customer Concentration

During fiscal 2008, the Company received approximately \$0.9 million of its revenue from new customers and approximately \$2.5 million in revenue from existing customers for continued support and additional license sales. During fiscal 2007, the Company received approximately \$0.5 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, four customers in fiscal 2008 exceeded 10% of the Company's total revenue as compared to two customers in fiscal 2007.

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 or better 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 Radiant Systems and private companies such as Kronos Incorporated, Tomax Retail.net, Workbrain, and Capgemini.

Due to the acquisition of Prescient, companies that are competition with PCYG solutions now include: Oracle, SAP, Microsoft, and MicroStrategy.

Legal Issue

According to the Company's SEC filings, it was served (on June 29, 2007) 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, including breach of employer obligations, fraud, unjust enrichment, and breach of contract. The plaintiffs are seeking combined damages for alleged unpaid compensation and punitive damages of approximately \$0.521 million and \$2.603 million, respectively. The case is currently in the discovery phase and the Company will continue to vigorously defend this matter. Also, the Company believes that there is no validity to this matter and that the possibility of any adverse outcome to the Company is remote.

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

During calendar 2008 average daily-volume decreased to 3,515 shares traded a day. During the first five months of calendar 2009 average daily-volume decreased to 2,428 shares traded a day compared to 3,515 shares traded a day in calendar 2008. This 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 maintaining our Speculative Buy rating on shares of Park City Group, Inc. (OTC BB: PCYG) and increasing our 12-month price target to \$2.20 per share from \$2.00. Our price target is based on a relative price-to-sales and EBITDA analysis. The price target was raised due to the increase of our EBITDA forecast by approximately 70%, which was mitigated to some degree by a 10.4% decrease in our top line forecast for the next twelve months.

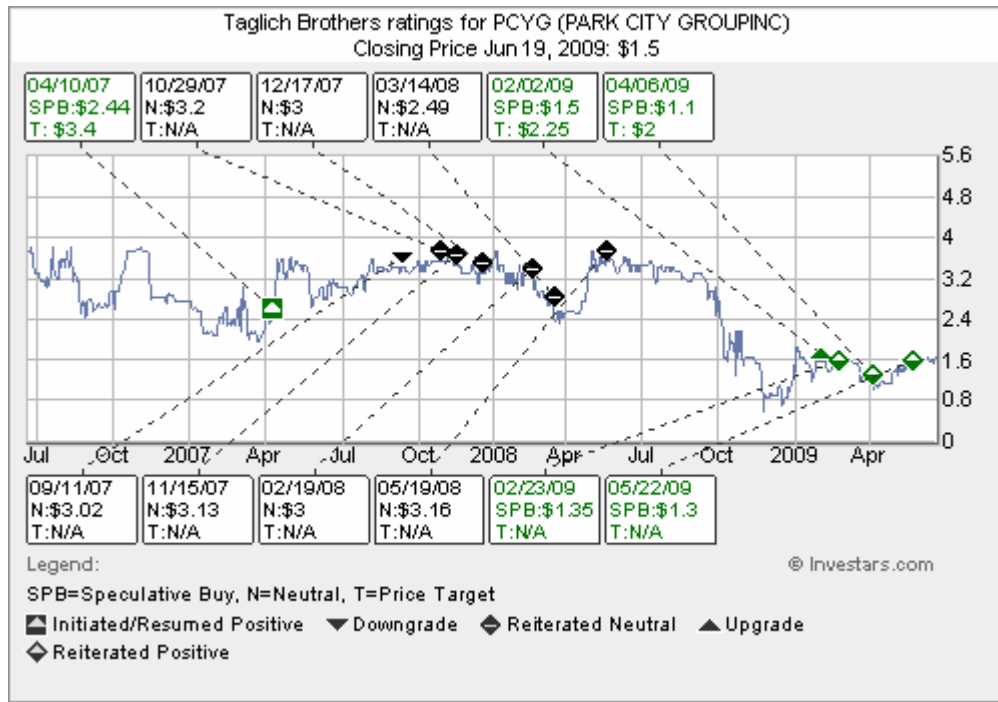
Our rating is primarily based on the benefits of the January 14, 2009 acquisition of Prescient, which became a wholly owned subsidiary of PCYG. In addition, as previously discussed, on April 30, 2009, the Company filed an 8K that included financial performance goals based on the growth opportunities and creation of the Consumer

Driven Sales Optimization™ model by Management that was accelerated from the Prescient acquisition. Also, we believe that a fair valuation for this equity should emerge as investors see evidence of consistently growing top line results and a move towards profitability.

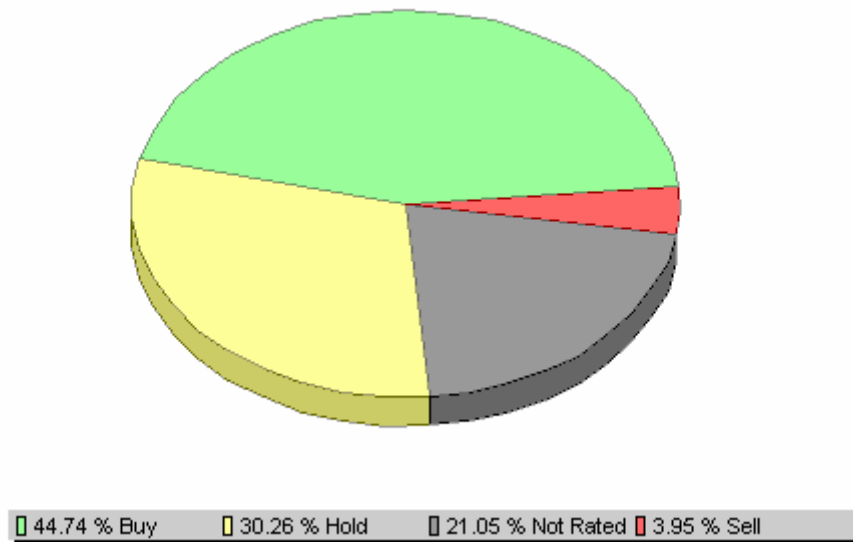
Our price target is based on the following valuation models discounted by 40% to account for microcap risk along with Company specific risks, as well as the current economic environment:

- A 5.0X price-to-sales multiple, which is the trailing twelve month multiple (according to moneycentral.msn.com, as of June 19, 2009) for the Application and Business Software and Services Industry, applied to our estimate of \$1.03 per share for the twelve month period ending March 31, 2010; and
- A 13.0X price-to-EBITDA multiple, which is the trailing twelve month EBITDA multiple (according to moneycentral.msn.com, as of June 19, 2009) for the Application and Business Software and Services Industry, applied to our EBITDA estimate of \$0.17 per share for the twelve month period ending March 31, 2010.

Park City Group, Inc.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	1	4.00%
Hold	1	14.29%
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)

MicroStrategy (NasdaqGS: MSTR)

Oracle (NasdaqGS: ORCL)

SAP (NYSE: SAP)

Costco (NasdaqGS: COST)

Microsoft (NasdaqGS: MSFT)

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.

Taglich Brothers, Inc. has an Investment Banking relationship with the company. As of June 19, 2009, Michael Taglich, President and Robert Taglich, Managing Director, owns or has a controlling interest of 82,100 shares and 96,013 shares, respectively, of PCYG restricted common stock from the June 2006 offering. As of June 19, 2009, Michael Taglich, President, and Robert Taglich, Managing Director, each own 25,840 shares and 25,709 shares, respectively, of PCYG Series A 7% Convertible Preferred from the June 2007 private placement. As of June 19, 2009, 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 65,000 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. On September 29, 2008, Taglich Brothers, Inc. (as Park City Group's investment banker) issued a comfort letter on behalf of PCYG prior to executing its merger agreement with Prescient Applied Intelligence.

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 since May 2008 pays 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 2007 Full Year	June 2008 Full Year	Sept. 2008 1st Qtr End	Sept. 2008 2nd Qtr End	Mar. 2009 3rd Qtr End
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,273	\$ 866	\$ 322	\$ 397	\$ 1,107
Restricted cash	1,940	1,940	-	2,500	-
Receivables, net of allowances	919	1,005	796	482	1,645
Unbilled receivables	556	116	77	20	173
Prepaid expenses and other current assets	<u>101</u>	<u>56</u>	<u>68</u>	<u>78</u>	<u>189</u>
Total current assets	6,789	3,983	1,263	3,477	3,114
Property and equipment, net	482	494	452	449	602
Equity method investment	-	-	2,570	2,604	-
Deposits and other assets	28	48	122	195	117
Customer relationships	-	-	-	-	4,135
Goodwill	-	-	-	-	3,453
Capitalized software costs, net	915	660	568	475	454
Total assets	<u>\$ 8,214</u>	<u>\$ 5,186</u>	<u>\$ 4,976</u>	<u>\$ 7,200</u>	<u>\$ 11,875</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	388	428	468	586	628
Accrued liabilities	287	410	421	680	1,280
Deferred revenue	929	480	257	453	1,520
Line of credit	-	-	700	700	700
Current portion of capital lease obligations	71	144	142	152	128
Derivative liability	-	-	-	-	-
Unclaimed tender offer	-	-	-	-	941
Related party notes payable, net of discount	-	-	2,199	2,199	100
Notes payable, net of discounts	<u>1,940</u>	<u>1,940</u>	<u>-</u>	<u>-</u>	<u>2,159</u>
Total current liabilities	3,616	3,402	4,187	4,771	7,457
Long-term note payable, net of discount	-	-	-	2,720	1,538
Long-term related party note payable, net of discount	-	-	-	-	1,244
Line of credit	-	-	-	-	2,847
Capital lease obligations, less current portion	225	200	167	157	140
Preferred stock -- Series A convertible Preferred	6	6	6	6	6
Stockholders' equity:					
Common stock, \$0.01 par value; authorized 50,000,000 shares	90	92	94	94	98
Additional paid-in capital	26,166	26,468	27,067	27,161	27,915
Subscription receivable	(106)	-	(353)	(353)	-
Accumulated deficit	(21,783)	(24,982)	(26,192)	(27,357)	(29,371)
Total stockholders' equity	<u>4,366</u>	<u>1,577</u>	<u>616</u>	<u>(454)</u>	<u>(1,357)</u>
Total liabilities and stockholders' equity	<u>\$ 8,214</u>	<u>\$ 5,186</u>	<u>\$ 4,976</u>	<u>\$ 7,200</u>	<u>\$ 11,875</u>
SHARES OUT	8,998	9,218	9,432	9,435	9,808

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

	FY2006A	FY2007A	FY2008A	FY2009E	FY2010E
Subscriptions	182	89	203	2,889	6,835
Maintenance and support	2,272	1,513	1,455	1,944	2,840
Professional services	1,004	464	585	742	1,210
License fees	3,627	526	1,102	271	200
Total Revenues	<u>7,085</u>	<u>2,592</u>	<u>3,345</u>	<u>5,847</u>	<u>11,085</u>
Operating Expenses:					
Cost of services and product support	1,451	1,718	2,419	3,404	4,460
Sales and marketing	1,410	1,508	1,844	1,399	1,860
General and administrative	1,585	2,003	2,073	2,191	2,735
Impairment of capitalized software	-	-	-	1,457	-
Depreciation and amortization	550	369	506	747	940
Total Operating Expenses	<u>4,997</u>	<u>5,597</u>	<u>6,842</u>	<u>9,198</u>	<u>9,995</u>
EBITDA (excludes non-cash expenses i.e., stock based compensation)	2,843	(2,414)	(2,916)	(968)	2,130
Operating Income (loss)	2,088	(3,005)	(3,497)	(3,350)	1,090
<i>Operating Margin</i>	29.47%	-115.92%	-104.54%	-57.29%	9.83%
Other income (expense)					
Other	-	19	600	-	-
Loss on equity method investment Prescient Applied Intelligence	-	-	-	(163)	-
Derivative liability	(35)	89	(0)	0	-
Interest expense	(660)	(71)	29	(590)	(850)
Total Other Income (expense)	<u>(695)</u>	<u>38</u>	<u>628</u>	<u>(752)</u>	<u>(850)</u>
Pre-Tax Income (loss)	1,394	(2,967)	(2,868)	(4,103)	240
<i>Pre-Tax Margins</i>	19.67%	-114.47%	-85.75%	-70.16%	2.17%
Income Tax Expense (Benefit)	-	-	-	-	-
<i>Tax Rate</i>	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	<u>\$ 1,394</u>	<u>\$ (2,967)</u>	<u>\$ (2,868)</u>	<u>\$ (4,103)</u>	<u>\$ 240</u>
Accrued preferred dividend	-	-	331	753	800
Net income (loss) to common shareholders	<u>\$ 1,394</u>	<u>\$ (2,967)</u>	<u>\$ (3,199)</u>	<u>\$ (4,856)</u>	<u>\$ (560)</u>
Earnings per share	<u>\$ 0.22</u>	<u>\$ (0.33)</u>	<u>\$ (0.35)</u>	<u>\$ (0.50)</u>	<u>\$ (0.06)</u>
Avg Shares Outstanding	6,263	8,936	9,150	9,674	10,171

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

	Q1(09/07)A	Q2 (12/07)A	Q3 (03/08)A	Q4 (06/08)A	FY2008A
Subscriptions	86	34	37	46	203
Maintenance and support	379	382	378	316	1,455
Professional services	126	79	26	353	585
License fees	<u>263</u>	<u>-</u>	<u>708</u>	<u>131</u>	<u>1,102</u>
Total Revenues	<u>854</u>	<u>494</u>	<u>1,150</u>	<u>847</u>	<u>3,345</u>
Operating Expenses:					
Cost of services and product support	580	581	618	640	2,419
Sales and marketing	419	583	467	375	1,844
General and administrative	622	583	522	347	2,073
Depreciation and amortization	<u>112</u>	<u>123</u>	<u>135</u>	<u>136</u>	<u>506</u>
Total Operating Expenses	<u>1,733</u>	<u>1,869</u>	<u>1,743</u>	<u>1,497</u>	<u>6,842</u>
EBITDA (excludes non-cash expenses i.e., stock based compensation)	(726)	(1,252)	(423)	(515)	(2,916)
Operating Income (loss)	(878)	(1,374)	(594)	(650)	(3,497)
<i>Operating Margin</i>	-102.83%	-277.95%	-51.67%	-76.79%	-104.54%
Other income (expense)					
Other	200	-	400	-	600
Derivative liability	-	-	-	(0)	(0)
Interest expense	<u>24</u>	<u>13</u>	<u>3</u>	<u>(11)</u>	<u>29</u>
Total Other Income (expense)	<u>224</u>	<u>13</u>	<u>403</u>	<u>(11)</u>	<u>628</u>
Pre-Tax Income (loss)	(655)	(1,361)	(191)	(661)	(2,868)
<i>Pre-Tax Margins</i>	-76.65%	-275.24%	-16.64%	-78.11%	-85.75%
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>\$ (191)</u>	<u>\$ (661)</u>	<u>\$ (2,868)</u>
Accrued preferred dividend	82	75	98	76	331
Net income (loss) to common shareholders	<u>\$ (737)</u>	<u>\$ (1,436)</u>	<u>\$ (289)</u>	<u>\$ (737)</u>	<u>\$ (3,199)</u>
Earnings per share	<u>\$ (0.08)</u>	<u>\$ (0.16)</u>	<u>\$ (0.03)</u>	<u>\$ (0.08)</u>	<u>\$ (0.35)</u>
Avg Shares Outstanding	9,022	9,155	9,209	9,215	9,150

Park City Group, Inc.
Income Statement Model
For the Year Ended June 30, 2009
(in thousands)

	<u>Q1(09/08)A</u>	<u>Q2 (12/08)A</u>	<u>Q3 (03/09)A</u>	<u>Q4 (06/09)E</u>	FY2009E
Subscriptions	58	79	1,372	1,380	2,889
Maintenance and support	289	300	676	680	1,944
Professional services	145	66	281	250	742
License fees	<u>38</u>	<u>10</u>	<u>174</u>	<u>50</u>	271
Total Revenues	<u>530</u>	<u>454</u>	<u>2,503</u>	<u>2,360</u>	5,847
Operating Expenses:					
Cost of services and product support	581	455	1,293	1,075	3,404
Sales and marketing	300	233	446	420	1,399
General and administrative	415	509	647	620	2,191
Impairment of capitalized software	-	-	1,457	-	1,457
Depreciation and amortization	<u>136</u>	<u>138</u>	<u>238</u>	<u>235</u>	747
Total Operating Expenses	<u>1,432</u>	<u>1,334</u>	<u>4,082</u>	<u>2,350</u>	9,198
EBITDA (excludes non-cash expenses i.e., stock based compensation)	(746)	(735)	213	300	(968)
Operating Income (loss)	(902)	(880)	(1,579)	10	(3,350)
<i>Operating Margin</i>	-170.01%	-193.80%	-63.07%	0.42%	-57.29%
Other income (expense)					
Loss on equity method investment Prescient Applied Intelligence	(197)	34	-	-	(163)
Interest expense	<u>(23)</u>	<u>(80)</u>	<u>(257)</u>	<u>(230)</u>	(590)
Total Other Income (expense)	<u>(220)</u>	<u>(45)</u>	<u>(257)</u>	<u>(230)</u>	(752)
Pre-Tax Income (loss)	(1,121)	(925)	(1,836)	(220)	(4,103)
<i>Pre-Tax Margins</i>	-211.49%	-203.80%	-73.34%	-9.32%	-70.16%
Income Tax Expense (Benefit)	<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>\$ (1,121)</u>	<u>\$ (925)</u>	<u>\$ (1,836)</u>	<u>\$ (220)</u>	\$ (4,103)
Accrued preferred dividend	88	240	200	225	753
Net income (loss) to common shareholders	<u>\$ (1,210)</u>	<u>\$ (1,165)</u>	<u>\$ (2,036)</u>	<u>\$ (445)</u>	\$ (4,856)
Earnings per share	<u>\$ (0.13)</u>	<u>\$ (0.12)</u>	<u>\$ (0.21)</u>	<u>\$ (0.04)</u>	\$ (0.50)
Avg Shares Outstanding	9,303	9,435	9,872	10,085	9,674

Park City Group, Inc.
Income Statement Model
For the Year Ended June 30, 2010
(in thousands)

	<u>Q1(09/09)E</u>	<u>Q2 (12/09)E</u>	<u>Q3 (03/10)E</u>	<u>Q4 (06/10)E</u>	<u>FY2010E</u>
Subscriptions	1,460	1,565	1,865	1,945	6,835
Maintenance and support	690	710	715	725	2,840
Professional services	285	290	310	325	1,210
License fees	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	200
Total Revenues	<u>2,485</u>	<u>2,615</u>	<u>2,940</u>	<u>3,045</u>	11,085
Operating Expenses:					
Cost of services and product support	1,085	1,090	1,135	1,150	4,460
Sales and marketing	435	450	475	500	1,860
General and administrative	650	675	685	725	2,735
Depreciation and amortization	<u>235</u>	<u>235</u>	<u>235</u>	<u>235</u>	940
Total Operating Expenses	<u>2,405</u>	<u>2,450</u>	<u>2,530</u>	<u>2,610</u>	9,995
EBITDA (excludes non-cash expenses i.e., stock based compensation)	340	425	670	695	2,130
Operating Income (loss)	80	165	410	435	1,090
<i>Operating Margin</i>	3.22%	6.31%	13.95%	14.29%	9.83%
Other income (expense)					
Interest expense	<u>(225)</u>	<u>(215)</u>	<u>(210)</u>	<u>(200)</u>	(850)
Total Other Income (expense)	<u>(225)</u>	<u>(215)</u>	<u>(210)</u>	<u>(200)</u>	(850)
Pre-Tax Income (loss)	(145)	(50)	200	235	240
<i>Pre-Tax Margins</i>	-5.84%	-1.91%	6.80%	7.72%	2.17%
Income Tax Expense (Benefit)	<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>\$ (145)</u>	<u>\$ (50)</u>	<u>\$ 200</u>	<u>\$ 235</u>	\$ 240
Accrued preferred dividend	200	200	200	200	800
Net income (loss) to common shareholders	<u>\$ (345)</u>	<u>\$ (250)</u>	<u>\$ 0</u>	<u>\$ 35</u>	\$ (560)
Earnings per share	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	\$ (0.06)
Avg Shares Outstanding	10,095	10,110	10,230	10,250	10,171

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

				9 Mos.
	<u>FY2006A</u>	<u>FY2007A</u>	<u>FY2008A</u>	<u>'09A</u>
<i>Cash Flows from Operating Activities</i>				
Net Income (loss)	\$ 1,394	\$ (3,012)	\$ (2,868)	\$ (3,860)
Depreciation and amortization	288	279	506	512
Bad debt expense	70	(47)	41	13
Loss on derivative liability	35	(89)	-	-
Stock issued for services and expenses	205	223	75	77
Loss on equity method investment	-	-	-	163
Amortization of discounts on debt	224	97	-	2
Impairment of capitalized software	-	-	-	1,457
Marketable securities	-	52	-	-
Gain on sale of patent	-	-	(600)	-
Gain on recovery of bad debt	-	(52)	-	-
Gain on sale of property	-	(1)	0	(0)
Gain on settlement of payable	-	-	-	-
Gain on forgiveness of debt	-	-	-	-
	<u>2,216</u>	<u>(2,550)</u>	<u>(2,846)</u>	<u>(1,636)</u>
<i>Changes In:</i>				
Trade receivables	154	(769)	(566)	739
Other receivables	(209)	(319)	440	16
Prepays and other assets	(142)	75	24	(121)
Accounts payable	(516)	276	39	(57)
Accrued liabilities	(87)	51	62	267
Deferred revenue	(235)	281	(25)	(7)
Related party payable	97	-	-	-
Accrued interest, related party	(554)	6	-	-
Net changes in working capital	<u>(1,491)</u>	<u>(398)</u>	<u>(25)</u>	<u>838</u>
Net cash Provided by Operations	<u>725</u>	<u>(2,948)</u>	<u>(2,871)</u>	<u>(798)</u>
<i>Cash Flows from Investing Activities</i>				
Purchase of equity method investment	-	-	-	(1,635)
Deposit of restricted cash into escrow	-	-	-	-
Purchase of property and equipment	(22)	(182)	(35)	(97)
Capitalization of software costs	(565)	(419)	(76)	-
Restricted cash	-	(1,940)	-	1,940
Proceeds from disposal of property	-	3	601	-
Cash Flows from Investing Activities	<u>(587)</u>	<u>(2,539)</u>	<u>490</u>	<u>208</u>
<i>Cash Flows from Financing Activities</i>				
Net (payments) proceeds in lines of credit	(717)	-	-	3,547
Offering costs associated with issuance of stock	-	-	(24)	-
Receipt of subscription receivable	-	-	106	-
Proceeds from issuances of stock, net of offering costs	4,435	5,279	-	154
Payment of extend note	(9)	-	-	-
Dividends paid	-	-	(2)	-
Proceeds from debt	1,833	-	-	186
Payments on notes payable and capital leases	(2,373)	(36)	(107)	(3,056)
Net cash provided by Financing	<u>3,169</u>	<u>5,243</u>	<u>(27,243)</u>	<u>831</u>
Net change in Cash	3,307	(244)	(2,408)	242
Cash Beginning of Period	<u>153</u>	<u>3,517</u>	<u>3,273</u>	<u>866</u>
Cash End of Period	<u>\$ 3,460</u>	<u>\$ 3,273</u>	<u>\$ 866</u>	<u>\$ 1,107</u>