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Final Research Report

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

Park City Group, Inc.

Rating: Speculative Buy

Howard Halpern
September 3, 2009

PCYG $1.90 — (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	$3.00 – $0.55	Fiscal year ends:	June
Shares outstanding as of 05/18/09	10.1 million	Revenue/shares (ttm)	$0.46
Approximate float	5.73 million	Price/Sales (ttm)	4.1X
Market Capitalization	$19 million	Price/Sales (2010)E	1.7X
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 stock outs, 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 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 issuing our final research report on Park City Group, Inc. (OTC BB: PCYG). We are maintaining our Speculative Buy rating and raising our 12-month price target to $2.35 per share from $2.20. Our target, which is based on relative price-to-sales and EBITDA analyses, was raised due to the expansion of industry multiples.

We project fiscal 2009 revenue of $5.8 million, an EBITDA loss of approximately $1.0 million, and net loss to common shareholders of $4.9 million or ($0.50) per share. The net loss includes an impairment charge for capitalized software (related to the January 2009 acquisition of Prescient) of approximately $1.5 million or $0.15 per share. Excluding the impairment charge PCYG should generate EBITDA of approximately $0.5 million.

We are maintaining our projections for fiscal 2010 of 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.

On August 31, 2009, the company announced it refinanced approximately $2 million of promissory notes with Baylake Bank, at a fixed interest rate of $4.25% per year and matures on August 1, 2012. The note replaces a three year note issued by Prescient (Park City Group acquired Prescient in January 2009).

**** Please view our disclaimer located on page 11.***

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Recommendation

We are issuing our final research report on shares of Park City Group, Inc. (OTC BB: PCYG). We are maintaining our Speculative Buy rating and raising our 12-month price target to $2.35 per share from $2.20. Our price, which target is based on relative price-to-sales and EBITDA analyses, was increased due to a 20% expansion of industry multiples.

Our rating is primarily based on the benefits of the January 2009 acquisition of Prescient. Also, the acquisition provided a platform for the creation of the Consumer Driven Sales Optimization™ model by management.

Our price target is based on the following valuation models discounted by 40% to account for microcap risk along with company specific and economic risks:

– A 5.0X price-to-sales multiple, which is the average trailing twelve month multiple over the prior four quarters (according to moneycentral.msn.com) 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 15.9X price-to-EBITDA multiple, which is the trailing twelve month EBITDA multiple (according to moneycentral.msn.com, as of August 31, 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.

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. To meet its goal, management created a new business process called Consumer Driven Sales Optimization™ (CDSO), which builds on its Scan Based Trading platform. CDSO provides 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. It is a model that represents a recurring revenue stream.

The Scan Based Trading platform 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.

Prescient, acquired in January 200,9 had a run rate of for its Scan Based Trading business of approximately $1.5 billion dollars. Since that time, management announced on May 26, 2009 that figure had grown closer to $2.0 billion with some 1,000 trading relationships servicing approximately 300 distribution centers in about 35,000 retail locations.

The table below represents some of the current customer relationships:

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

Source: Park City Group, Inc.

Strategy

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. In our view, the following measures are being taken to achieve those strategic objectives:

- Continue to control costs;
- Sign on additional Hubs ;
- Increasing senior level marketing efforts towards its target market; and
- Building strategic alliances and closer business relationships.

The combination of PCYG and Prescient provides the opportunity to accelerate the creation of the CDSO™ and Hub and Spoke business model, improve 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 Developments

On August 31, 2009, the company announced it refinanced approximately $2 million of promissory notes with Baylake Bank, at a fixed interest rate of $4.25% per year and matures on August 1, 2012. The note replaces a three year note issued by Prescient (Park City Group acquired Prescient in January 2009).

On July 8, 2009, Park City Group announced the following guidance for both the fiscal fourth quarter and full year ended June 30, 2009:

- Fourth quarter 2009 adjusted EBITDA is expected to be between $235,000 and $300,000, as compared with third quarter 2009 adjusted EBITDA of $213,000; and
- For 2009 the achievement of positive EBITDA on an adjusted pro-forma basis for the fiscal year 2009.

Capital Structure

At 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.

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 following are facts related to the Supply Chain Technology market:

- In a November 2008 press release, 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) 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.

Outlook

We believe the acquisition of Prescient provides Park City Group the potential to improve its position as a leading provider of advanced commerce and supply chain solutions for retail trading partners. Our belief is supported by the establishment of the CDSO™ business process model, which is built on the company's Scan Based Trading platform and business analytic services. 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 and commencing the 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).

The financial goal for fiscal 2009 is pro-forma (as if the Prescient acquisition occurred at the start of fiscal 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.

(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

Projections

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.

Our projections remain unchanged from our prior report. We project 4Q09 revenue of nearly $2.4 million and total revenue of approximately $5.8 million. Also, we project an EBITDA loss of approximately $1 million (including a $1.5 million impairment charge – excluding the charge EBITDA is a positive $0.5 million), and a net loss to common shareholders of $4.9 million or ($0.50) per share. Our forecast takes into account 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 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.

For fiscal 2010, we estimate total revenue of $11.1 million, EBITDA of $2.1 million, operating income of $1.1 million and a net loss applicable to common shareholders of $0.6 million or ($0.06) 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.

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.

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.

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. No assurance can be give 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

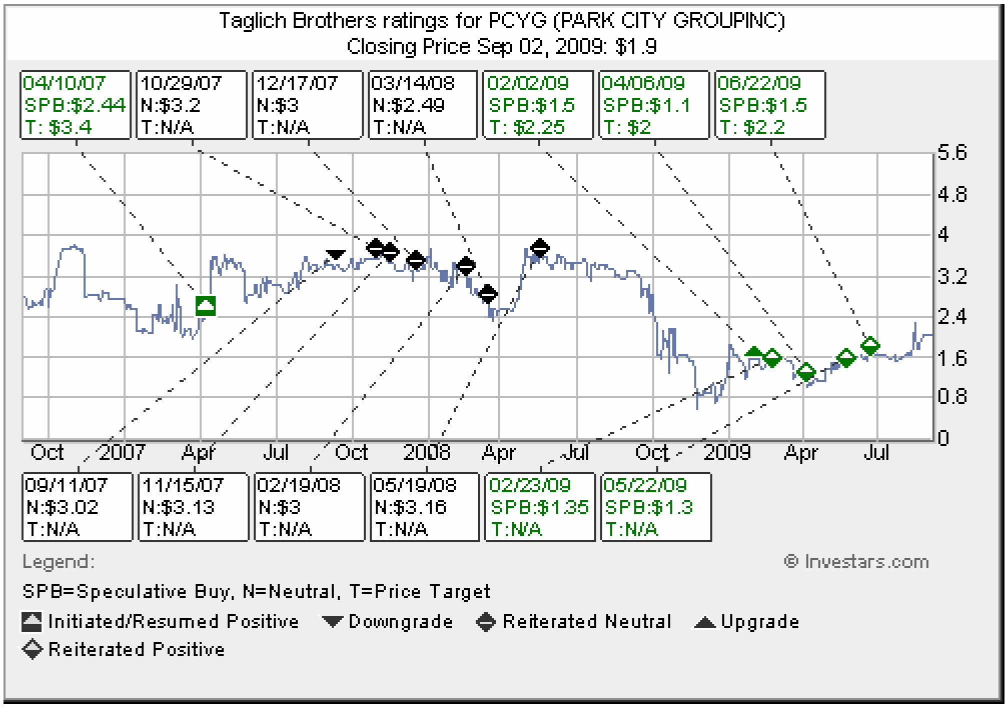
According to the company's SEC filings, it was served (on June 29, 2007) with a complaint from two previous employees titled James D. Horton and Aaron Prevo v Park City Group, Inc. and Randy Fields, which has been filed in the Second Judicial District Court, Davis County, Utah. The plaintiffs' complaint 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

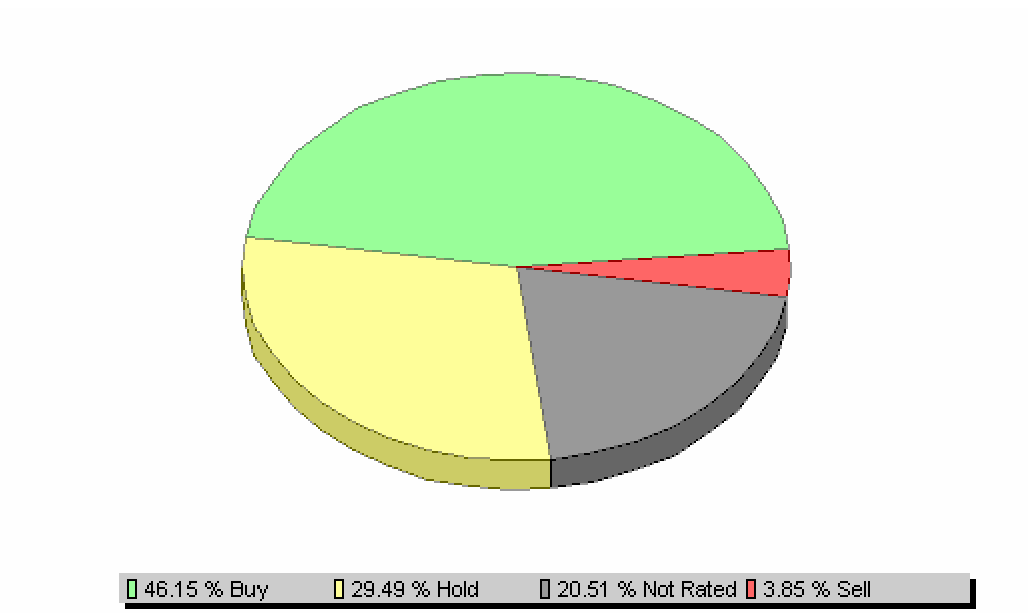
The company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

During calendar 2008 average daily-volume decreased to 3,515 shares traded a day. During the first eight months of calendar 2009 average daily-volume increased slightly to 3,754 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.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	1	3.70%
Hold	1	16.67%
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)
SAP (NYSE: SAP)	Microsoft (NasdaqGS: MSFT)
Target (NYSE: TGT)	Oracle (NasdaqGS: ORCL)

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Taglich Brothers, Inc. has an Investment Banking relationship with the company. As of September 1, 2009, Michael Taglich, President, Robert Taglich, Managing Director, and Taglich Brothers, Inc. owns or has a controlling interest of 55,091 shares, 96,013 shares, and 49,500 share, respectively, of PCYG restricted common stock from the June 2006 offering. As of September 1, 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 September 1, 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 35,000 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 to August 2009 paid 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	101	56	68	78	189
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	**$ 8,214**	**$ 5,186**	**$ 4,976**	**$ 7,200**	**$ 11,875**
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	1,940	1,940	-	-	2,159
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, $0.01 par value; authorized 50,000,000 shares	90	92	94	94	98
Additional paid-in capital	26,166	26,468	27,067	27,161	27,915
Subscription receivable	(106)	-	(353)	(353)	-
Accumulated deficit	(21,783)	(24,982)	(26,192)	(27,357)	(29,371)
Total stockholders' equity	**4,366**	**1,577**	**616**	**(454)**	**(1,357)**
Total liabilities and stockholders' equity	**$ 8,214**	**$ 5,186**	**$ 4,976**	**$ 7,200**	**$ 11,875**
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	7,085	2,592	3,345	**5,847**	**11,085**
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	4,997	5,597	6,842	**9,198**	**9,995**
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**
Operating Margin	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)	(695)	38	628	**(752)**	**(850)**
Pre-Tax Income (loss)	1,394	(2,967)	(2,868)	**(4,103)**	**240**
Pre-Tax Margins	19.67%	-114.47%	-85.75%	**-70.16%**	**2.17%**
Income Tax Expense (Benefit)	-	-	-	**-**	**-**
Tax Rate	0.00%	0.00%	0.00%	**0.00%**	**0.00%**
Net income (loss)	$ 1,394	$ (2,967)	$ (2,868)	**$ (4,103)**	**$ 240**
Accrued preferred dividend	-	-	331	**753**	**800**
Net income (loss) to common shareholders	$ 1,394	$ (2,967)	$ (3,199)	**$ (4,856)**	**$ (560)**
Earnings per share	$ 0.22	$ (0.33)	$ (0.35)	**$ (0.50)**	**$ (0.06)**
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	263	-	708	131	**1,102**
Total Revenues	854	494	1,150	847	**3,345**
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	112	123	135	136	**506**
Total Operating Expenses	1,733	1,869	1,743	1,497	**6,842**
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)**
Operating Margin	-102.83%	-277.95%	-51.67%	-76.79%	**-104.54%**
Other income (expense)					
Other	200	-	400	-	**600**
Derivative liability	-	-	-	(0)	**(0)**
Interest expense	24	13	3	(11)	**29**
Total Other Income (expense)	224	13	403	(11)	**628**
Pre-Tax Income (loss)	(655)	(1,361)	(191)	(661)	**(2,868)**
Pre-Tax Margins	-76.65%	-275.24%	-16.64%	-78.11%	**-85.75%**
Income Tax Expense (Benefit)	-	-	-	-	**-**
Tax Rate	0.00%	0.00%	0.00%	0.00%	**0.00%**
Net income (loss)	$ (655)	$ (1,361)	$ (191)	$ (661)	**$ (2,868)**
Accrued preferred dividend	82	75	98	76	**331**
Net income (loss) to common shareholders	$ (737)	$ (1,436)	$ (289)	$ (737)	**$ (3,199)**
Earnings per share	$ (0.08)	$ (0.16)	$ (0.03)	$ (0.08)	**$ (0.35)**
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)

	Q1(09/08)A	Q2 (12/08)A	Q3 (03/09)A	Q4 (06/09)E	**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	38	10	174	50	**271**
Total Revenues	530	454	2,503	2,360	**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	136	138	238	235	**747**
Total Operating Expenses	1,432	1,334	4,082	2,350	**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)**
Operating Margin	-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	(23)	(80)	(257)	(230)	**(590)**
Total Other Income (expense)	(220)	(45)	(257)	(230)	**(752)**
Pre-Tax Income (loss)	(1,121)	(925)	(1,836)	(220)	**(4,103)**
Pre-Tax Margins	-211.49%	-203.80%	-73.34%	-9.32%	**-70.16%**
Income Tax Expense (Benefit)	-	-	-	-	**-**
Tax Rate	0.00%	0.00%	0.00%	0.00%	**0.00%**
Net income (loss)	$ (1,121)	$ (925)	$ (1,836)	$ (220)	**$ (4,103)**
Accrued preferred dividend	88	240	200	225	**753**
Net income (loss) to common shareholders	$ (1,210)	$ (1,165)	$ (2,036)	$ (445)	**$ (4,856)**
Earnings per share	$ (0.13)	$ (0.12)	$ (0.21)	$ (0.04)	**$ (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)

	Q1(09/09)E	Q2 (12/09)E	Q3 (03/10)E	Q4 (06/10)E	**FY2010E**
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	50	50	50	50	**200**
Total Revenues	2,485	2,615	2,940	3,045	**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	235	235	235	235	**940**
Total Operating Expenses	2,405	2,450	2,530	2,610	**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**
Operating Margin	3.22%	6.31%	13.95%	14.29%	**9.83%**
Other income (expense)					
Interest expense	(225)	(215)	(210)	(200)	**(850)**
Total Other Income (expense)	(225)	(215)	(210)	(200)	**(850)**
Pre-Tax Income (loss)	(145)	(50)	200	235	**240**
Pre-Tax Margins	-5.84%	-1.91%	6.80%	7.72%	**2.17%**
Income Tax Expense (Benefit)	-	-	-	-	**-**
Tax Rate	0.00%	0.00%	0.00%	0.00%	**0.00%**
Net income (loss)	$ (145)	$ (50)	$ 200	$ 235	**$ 240**
Accrued preferred dividend	200	200	200	200	**800**
Net income (loss) to common shareholders	$ (345)	$ (250)	$ 0	$ 35	**$ (560)**
Earnings per share	$ (0.03)	$ (0.02)	$ 0.00	$ 0.00	**$ (0.06)**
Avg Shares Outstanding	10,095	10,110	10,230	10,250	**10,171**

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

	FY2006A	FY2007A	FY2008A	9 Mos. '09A
Cash Flows from Operating Activities				
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 capitalzied 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	-	-	-	-
	2,216	(2,550)	(2,846)	(1,636)
Changes In:				
Trade receivables	154	(769)	(566)	739
Other receivables	(209)	(319)	440	16
Prepaids 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	(1,491)	(398)	(25)	838
Net cash Provided by Operations	725	(2,948)	(2,871)	(798)
Cash Flows from Investing Activities				
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	(587)	(2,539)	490	208
Cash Flows from Financing Activities				
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	3,169	5,243	(27.243)	831
Net change in Cash	3,307	(244)	(2,408)	242
Cash Beginning of Period	153	3,517	3,273	866
Cash End of Period	$ 3,460	$ 3,273	$ 866	$ 1,107