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Research Report – Update

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

Park City Group, Inc.

Rating: Neutral

Howard Halpern
September 11, 2007

PCYG $3.02 — (OTC BB)

	FY (06/05)A	FY (06/06)A	***FY (06/07) E***	***FY (06/08) E***
Total revenues (in millions)	$3.63	$7.09	***$2.29***	***$6.37***
Earnings (loss) per share	($0.62)	$0.22	***($0.37)***	***($0.22)***

52 - Week range	$5.50 – $2.00	Fiscal year ends:	June
Shares outstanding as of 05/11/07	8.95 million	Revenue/shares (ttm)	$0.29
Approximate float	4.36 million	Price/Sales (ttm)	10.4X
Market Capitalization	$27 million	Price/Sales (2008)E	4.3X
Tangible Book value/share	($0.04)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2008)E	NMF

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

Key Investment Considerations:

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

We will also continue to monitor the number of engagements obtained for SCPL, actual closed sales, and cash generated from those closed sales. At the end of August 2007 and June 2007, the Company publicly stated it had 32 engagements from 11 retailers and 27 engagements from 10 retailers, respectively. Our projection for the number of engagements at the end of June 2007 was 45.

It is our view that the prudent course of action for investors is to give the Company the next two quarters (Q4'07 and Q1'08) in order to execute on its sales of SCPL. Investors should be cognizant that cash and deferred revenue from SCPL will only occur after a pilot test is completed and implementation occurs.

On May 15, 2007, the Company reported third quarter fiscal 2007 results. Total revenue was $0.498 million versus $1.370 million in the same period last year. The net loss for the current period was $0.912 million or ($0.10) per share versus a net loss of $0.386 million or ($0.07) per share.

Based on results for the first nine months of fiscal 2007, we are adjusting our forecast for total revenue to $2.294 million (prior was $2.561 million) and a net loss of $3.303 million or ($0.37) per share (prior was $2.682 million or ($0.30) per share).

We are also lowering our forecast for fiscal 2008, due to what we perceive as a slow start to the Company generating cash from its SCPL product offering. Our total revenue forecast is $6.365 million (prior was $7.395 million) and net loss to common shareholders is $1.965 million or ($0.22) per share (prior was net income of $0.015 million or $0.00 per share).

**** Please view our disclaimer located on page 19.***

The Company

Park City Group, Inc. (OTC BB: PCYG), headquartered in Park City, Utah, develops and markets patented software applications, as well as providing various services through its business analytics group, that helps retailers increase their sales while reducing their two largest controllable expenses, inventory and labor. The Company owns and controls 9 U.S. patents (three patents are pending), 8 U.S. trademarks, and 37 U.S. copyrights relating to its software technology that are approved and issued. Internationally, the Company has 14 patents and patent applications pending.

The Company was called Fields Technologies, Inc., until July 2002, when it changed its name to Park City Group Inc., and was reincorporated in Nevada. On August 11, 2006, the Company underwent a 1-for-50 reverse stock split (all per share information reflects the reverse stock split).

Management's short-term goal is to rapidly expand Park City Group's market share of software offerings (specifically the Supply Chain Profit Link application) within the supermarket sector. To achieve this goal, the Company's focus has evolved to a recurring revenue model (for its Supply Chain Profit Link offering) from a license-based approach. Its long term mission is to position Park City Group as a leading provider of technology, technology solutions, and business analytic services to serve as the preferred conduit between retailers and their suppliers in order to allow for an efficient exchange of information that should lead to improved profitability in the ever increasing competitive landscape that is dominated by companies such as Wal Mart (NYSE: WMT).

The recurring revenue model should over time smooth out quarterly revenue since annual subscriptions are expected to be amortized over approximately a twelve-month period. **Investors should also be aware that if successful the Company will likely see cash building ahead of revenue generation since a positive benefit of the subscription model is that deferred revenue will grow in concert with the number of SCPL customer engagements.** Park City Group's August 2007 update stated that it had 32 product categories with 11 retailers under management. However, based on conversations with Management some of the product categories are still in the pilot or testing phase and have yet to generate any cash to the balance sheet.

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

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

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

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

Since August 2007, the Company has added the following customer relationships:

Wal Mart	Minute Maid	Kellogg's

Source: Company's Web-site

Recent Developments

On August 7, 2007, Park City Group announced the hiring of Roy Powell as Manager of Customer Implementations. Mr. Powell has an extensive background in the Supermarket Industry with his specialty being Perishable Inventory Management. This should help support the Company's numerous Fresh Market Manager and Supply Chain Profit Link implementations. Mr. Powell most recently served as Director of Information Services for Clemens Family Markets. His prior experience also includes serving for over 25 years at Fleming Companies in various data management and information technology supervisory roles.

On July 16, 2007, the Company announced that Source Interlink Companies, Inc. agreed to use its data management and business intelligence tools to help analyze retail front-end profitability, and manage inventory distribution, merchandising, and product placement. While specific terms and monetary details were not disclosed, Park City Group's CEO stated that with Source Interlink being a leading distributor of magazines, CDs, and DVDs, the decision to utilize the business analytics of the Company validates the service and technology offering created for manufacturers and distributors for optimizing category management.

On June 26, 2007, Park City Group announced it raised gross proceeds of $5.8 million through a private placement of 584,000 shares of convertible Series A Preferred shares with accredited investors. Net proceeds after fees and expenses were $5.347 million. Investors should note that **Taglich Brothers, Inc.** acted as the Placement Agent for the private placement. Each Series A Preferred share is convertible at $3.00 per share and if converted approximately 1.947 million shares of common stock will be issued. Also, as part of the private placement, four year warrants were issued to purchase approximately 0.417 million shares of common stock exercisable at $4.00 per share.

On June 19, 2007, the Company announced it entered into an agreement with Nikkohren, Inc. to introduce the Company's Fresh Market Manager, Supply Chain Profit Link, and Acton Manager™ product suites to the Japanese convenience store and grocery market. Nikkohren is a retail field marketing agent for over 250 brands in Japan. They have established successful relationships through their many contacts in the supermarket and convenience store industries for several U.S. based companies. According to the press release, since Park City Group has Language QuickSwitch, their products can be used anywhere in the world. The patented QuickSwitch feature allows users to change the language of any written program with a single mouse click without having to log on or off.

On June 14, 2007, Park City Group announced a leading international company began integrating its Fresh Market Manager and ActionManager™ products to optimize assortment plans, labor and task schedules, manage shrink and stock-outs, and improve quality and freshness for consumers. The combination of these two products provides a coordinated planning of resources in order to deliver consumers the right product, at the right price, at the right time.

Supply Chain Profit Link Offering

Supply Chain Profit Link (SCPL), introduced in the fall of 2006, is part of a fully integrated collaborative solution for supermarket and convenience store operations. Management believes that this software application delivers a significant value-add to the supplier/retailer relationship since it allows suppliers an opportunity to work with their retail partners on optimizing profits by monitoring product movement, while reducing out-of-stocks and minimizing shrink (or waste).

SCPL is a category management tool that provides a common view of key performance indicators for retailers and suppliers. It is capable of providing hourly, daily, or weekly store-by-store item level information to facilitate decision support and also allows suppliers the opportunities to customize assortment plans, promotions, and pricing strategies on a store level. Most importantly, it enables suppliers and retailers to manage their products together and work on a collaborative basis. The components (Cost Control Monitor; Demand Forecaster and Production Planner; and Inventory Manager) make SCPL a useful tool for both suppliers and retailers.

Of note, Management has publicly stated that the metric for this offering will be the term engagement, which they define as one retailer or supplier managing one product category (i.e., Orange Juice, Cat Litter, etc.).

Management believes that it will be able to leverage the SCPL offering through the Company's consulting services, which includes Business Analytics. These professional service offerings include project management, technical implementation, and end-user training. In addition, Park City Group offers a variety of traditional consulting services configured to meet specific customer needs. The Company also provides business analytics in the area of merchandising and store operations, which are focused on helping customers to improve their profitability through the full use of its software offerings by turning collected data into actionable information.

Strategic Focus

Management publicly announced earlier in fiscal 2007 that Park City Group's business model has evolved to incorporate a recurring revenue stream through the Supply Chain Profit Link (SCPL) software offering. The SCPL annual subscription license model is focused on leveraging multi-store retail chains, convenience store chains, and their respective suppliers, in order to reduce the overall reliance on one-time, non-recurring license fee revenue.

Supporting this effort was the February 2007 announcement, regarding the expansion of consulting services offered by the Company through the creation of a Business Metrics Group (BMG). According to Management, BMG is setup to analyze decision support data for category management, promotional strategies, collaborative planning, and replenishment forecasting, which should bolster revenue from SCPL resulting from additional consulting fees.

The end goal of this unit is to convert data collected into actionable information that should assist in increasing profitability by reducing costs and in certain cases increase sales of customers. The following are the advantages of the recurring revenue approach through the SCPL offering – 1) Shorter sales cycle; 2) Smaller resource requirements; 3) Rapid market adoption**;** 4) Increased up-sell potential; as well as 5) Alliance Potential.

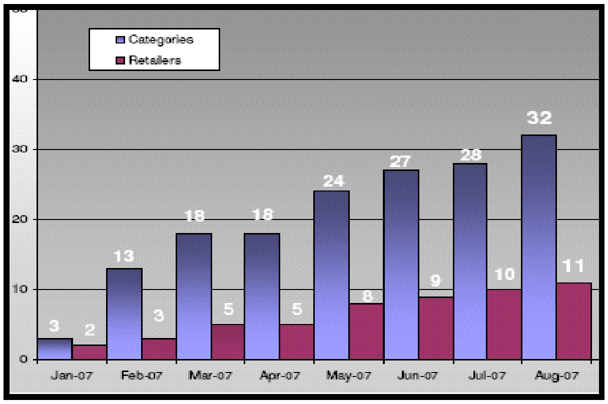
Revenue Model

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

According to Management, the potential of this model is as follows:

- A supermarket has more than 100 categories of merchandise;
- Each of those categories typically has three to five significant suppliers;
- Retailers are given a sixty day free trial to test it with a category, typically chosen with help from Park City Group. If the retailer likes the product it should be able to assign the cost among the suppliers of the chosen category;
- It is anticipated that each retailer would add 12 to 20 categories per year after the initial trial period of sixty days and the experience gained with the initial category managed by SCPL; and
- As suppliers experience success, they will take Park City Group to additional retailers. Management expects to be taken to three to five additional retailers per year by successful suppliers.

Given the revenue model (discussed above), it is important to note the actual execution (in terms of viral marketing growth strategy) appears to be slower then anticipated based on the chart (see below) on Supply Chain Profit Line Progress:



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

Strategy

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

- Utilize its workforce, which has been fully trained to understand its customers' businesses, existing trends in the marketplace, and opportunities for new product development. Since August 2006, the Company has added employees in data analytics, account management, finance, and product development and has over 40 employees in seven U.S. states and Bangalore, India.

- Increase awareness of its technology solutions and services by attending industry trade shows, conduct direct marketing programs, publish industry trade articles and white papers, as well as participate in interviews and selectively advertise in industry publications.

- Obtain customers that have the potential for expansion within the organization.

    - The Company continues to expand its relationship with Tesco-Lotus, the leading consumer goods retailer in Thailand; and

    - On July 16, 2007, the Company announced that Source Interlink Companies, Inc. agreed to use its data management and business intelligence tools to help analyze retail front-end profitability, and manage inventory distribution, merchandising, and product placement of magazines, CDs, and DVDs. If Park City Group is successful in this endeavor, we believe this could lead to additional revenue generating opportunities within this type of retail environment.

- Continue to work with Tesco-Lotus on rolling out Fresh Market Manager (FMM). During the Company's public presentations Management stated that Tesco may implement this offering in its stores worldwide beginning in Malaysia and Hungry. This means Management may be implementing this roll out in a strategic and profitable manner since the primary focus is the sales and marketing of Supply Chain Profit Link software offering. It would not be a surprise if Management is able to continue expanding this relationship; thus generating licensing revenue in future periods.

  Seek partnerships towards the development of new and emerging retail technologies with university researchers.

– Defend its intellectual property. On October 31, 2006, the Park City Group announced it is aggressively defending its patented labor management method and process, in a patent infringement litigation lawsuit against Workbrain Corporation. Workbrain based in Toronto, Canada, markets total Workforce Management including a workforce scheduling component the Park City Group alleges infringes on its U.S. Patent No. 5,111,391. According to the press release, the Company has previously and successfully defended this patent in prior infringement situations with a number of major software companies.

Financial Results

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

- Total revenue was $0.498 million versus $1.370 million. Taglich Brothers' estimate called for revenue of $0.545 million.
- Gross margin was 18.86% versus 71.02%;
- EBITDA loss was $0.865 million versus EBITDA of $0.020 million;
- Total operating expenses were basically flat at $1.022 million versus $1.039 million; and
- Net loss was $0.912 million or ($0.10) per share versus a net loss of $0.386 million or ($0.07) per share. Taglich Brothers' estimate called for a net loss of $0.755 million or ($0.08) per share.

The year-over-year decline in revenue of 63.7% resulted from only generating a small amount ($0.047 million) of software license sales during the current period versus $0.574 million generated in the third quarter of fiscal 2006. According to the third quarter 10-Q filing, the year-over-year decline in license revenue resulted from the Company's continued evolution of its business model to incorporate a recurring revenue stream through its targeted Supply Chain Profit Link strategy as previously discussed. Investors should note that Management will still pursue on a limited and closely managed basis software licenses which by their nature would exhibit a sales pattern that can be characterized as lumpy because of the lengthy sales cycle and implementation time. Also contributing to the revenue decline was:

– Lower maintenance and support revenues of $0.214 million versus the same period last year. The lower revenue in this segment was due to the reduction of renewals in annual maintenance contracts as the software's proven reliability has resulted in customers needing less monthly support and a large license client that elected not to renew approximately $0.540 million in annual maintenance and support services;

– Lower application server provider (ASP) revenue of $0.022 million versus the same period last year. The lower revenue in this segment was due to the loss of two customers and the aggressive program PCYG instituted to increase the number of manufacturers using the Supply Chain Profit Link software offering; and

– Lower consulting and other revenue of $0.108 million versus the same period last year. The lower revenue in this segment was due to completion of a large project that was begun in September 2005.

The sharp year-over-year decline in gross margin was primarily due to lower software license sales in the current period relative to the direct fixed costs versus the same period last year. Also, total operating expenses decreased slightly by $0.017 million, as a percentage of total revenue, operating expense increased to 205% versus 75.8%. The percentage increase was due to the overall decline in sales for the current period compared to the same period last year. The aggregate decrease was primarily due to lower sales and marketing expenses, as well as reduced research and development costs, which were mitigated by higher general and administrative expenses due to increased investor relations consulting work, additional administrative personnel, relocation of corporate offices, as well as legal work associated with a pending patent lawsuit.

We estimate that at March 31, 2007, the Company had net operating loss carryforwards in excess of approximately $6.0 million that can be used to offset against future taxable income through 2026. According to the Company's SEC filings, no tax benefit was reported for fiscal 2006 or the first three quarters of fiscal 2007, since the potential tax benefit is offset by a valuation allowance of the same amount.

Balance Sheet as of March 31, 2007
The Company had cash and equivalents of $0.784 million versus $3.517 million as of June 30, 2006, and working capital of $0.398 million, which was a decrease from a working capital of $2.534 million at the end of fiscal 2006. The decrease in working capital was primarily due to a lower cash balance that resulted from the net loss from operations during the first nine months of fiscal 2007. Cash burn experienced during the first three quarters of the fiscal year amounted to approximately $1.945 million. Total assets were $3.082 million, which was a decrease from $4.826 million at the end of fiscal 2006.

At the end of the third quarter of fiscal 2007, the Company had total liabilities of $3.4039 million (including long-term debt of $1.887 million), an accumulated deficit of $20.965 million, and total shareholders' deficit of $0.321 million. At the end of fiscal 2006, the Company had total liabilities of $3.345 million (including long-term debt of $1.843 million), an accumulated deficit of $19.173 million, and total shareholders' equity of $1.482 million.

Subsequent to the end of the third quarter of fiscal 2007, the following transaction occurred:

– During June 2007, the Company sold 584,000 shares of Series A Convertible Preferred Stock to 100± accredited investors. In connection with sale, a securities purchase agreement was entered into that contained provision that requiring the registration all of the shares underlying the convertible stock sold, as well as the stock underlying warrants issued. The warrants have a five year life and an exercise price of $4.00 per share. Gross proceeds from the offering totaled $5.840 million. **This means pro forma cash on should approximate $6.0 million, given the Company's prior cash balance (see above).**

  Taglich Brothers, Inc. acted as the placement agent for the transaction and received a cash placement fee of 8% of the total offering proceeds from investors introduced by Taglich and 4% for all other participants. Total cash compensation to Taglich Brothers, Inc. was approximately $0.467 million. Additional compensation included warrants to purchase 194,667 shares of common stock at a price of $3.30 per share.

Investors should be aware of the following transaction:

– During June 2006, the Company raised gross proceeds of approximately $5.0 million (net proceeds were nearly $4.6 million) through a private placement to accredited investors of approximately 1.818 million shares of newly issued common stock (shares reflect the reverse stock split). **Taglich Brothers, Inc. acted as the placement agent for the transaction and received a fee of 8% of the gross proceeds and approximately 0.182 million five year warrants to purchase common stock at an exercise price of $3.03 per share.**

According to various SEC filings, the Company had approximately 2.452 million common shares in reserve to be issued upon the exercise of underlying warrants. Also, according to an SB-2/A filing on October 23, 2006, the Company was in the process of registering approximately 3.143 million common shares for resale (became effective on January 18, 2007), which includes nearly 1.818 million shares of common stock owned by selling stockholders acquired in the private offering that closed in June 2006, as well as nearly 1.325 million shares owned by one other selling stockholder.

The SB-2 issued on August 3, 2007, relates to the sale by the selling stockholders (based on the June 2007 financing) of up to approximately 2.558 million common stock. The shares being registered consist of the following: 1) up to approximately 1.947 million shares of common stock that underlie Series A Convertible Preferred Stock owned by selling stockholders; and 2) up to approximately 0.612 million shares of common stock underlying warrants to purchase common stock owned by selling shareholders. Again, the Company will not receive any process from the resale of common stock (the SB-2 became effective August 13, 2007).

We believe based on the most recent financing that there is sufficient working capital on hand to allow the Company to achieve its Supply Chain Profit Link objectives, bring to market enhancements to existing products currently still in development, and provide sufficient cash flow to fund shortfalls in cash generated from operations in 2007. **We believe the Park City Group, based on the current cash burn rate during the first**

nine months of fiscal 2007 has enough cash on hand (including funds from the June 2007) for at least the next year and one-half.

Market

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

Below is a summary of potential market segments that the Company can market to and obtain customers:

<u>Supermarket</u>
The Supermarket industry is under increased competitive pressure from value retailers such as Wal-Mart, Costco (NasdaqGS: COST), Target (NYSE: TGT), etc. McKinsey & Company (a global management consulting firm) defines value retailers as mass merchants and category killers, where consumers have been trained to expect significantly lower prices (the every day low price strategy). Over the past several years annual sales have risen by more than 20% in the grocer, consumables, and pharmacy categories for value retailers, while supermarkets saw only a minimal annual increase. According to Park City Group, one of the strategies that traditional supermarkets are implementing is to increase the quantity and quality of their perishable offerings. Perishable departments, such as bakery, meat and seafood, dairy, and deli have historically been loosely managed but now have been forced to become a focus for profitability improvement.

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

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). FMI updated numbers for 2006 were published in May of 2007. Unless otherwise noted the numbers are for 2006:

- Total sales for supermarkets with $2 million in annual sales amounted to $499.5 billion (consisting of 34,019 stores) versus $478.9 billion (consisting of 34,052 stores) in 2005;
- Total sales for chain supermarkets grew to $455.9 billion versus $433.1 billion in 2005;
- Independent supermarkets sales declined to $43.6 billion versus $45.8 billion in 2005;
- Sales per labor hour equaled $133.31, which was an increase from $132.20 in 2005;
- Average number of trips per week consumers made equaled 1.9X; and
- Average number of items carried in a supermarket was 45,000.

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

Over the last few years, trends for convenience stores of contracting gasoline margins and declining tobacco sales increases the need for improved cost controls and better decision support. Park City Group Management believes that in order to offset declining gasoline profits, participants within the convenience stores industry are likely to be pushing for ways to increase or at least maintain profitability. Very few convenience store operations have automated systems to help store managers, leaving the majority of the operators without any technology to ease their administrative and operations burdens.

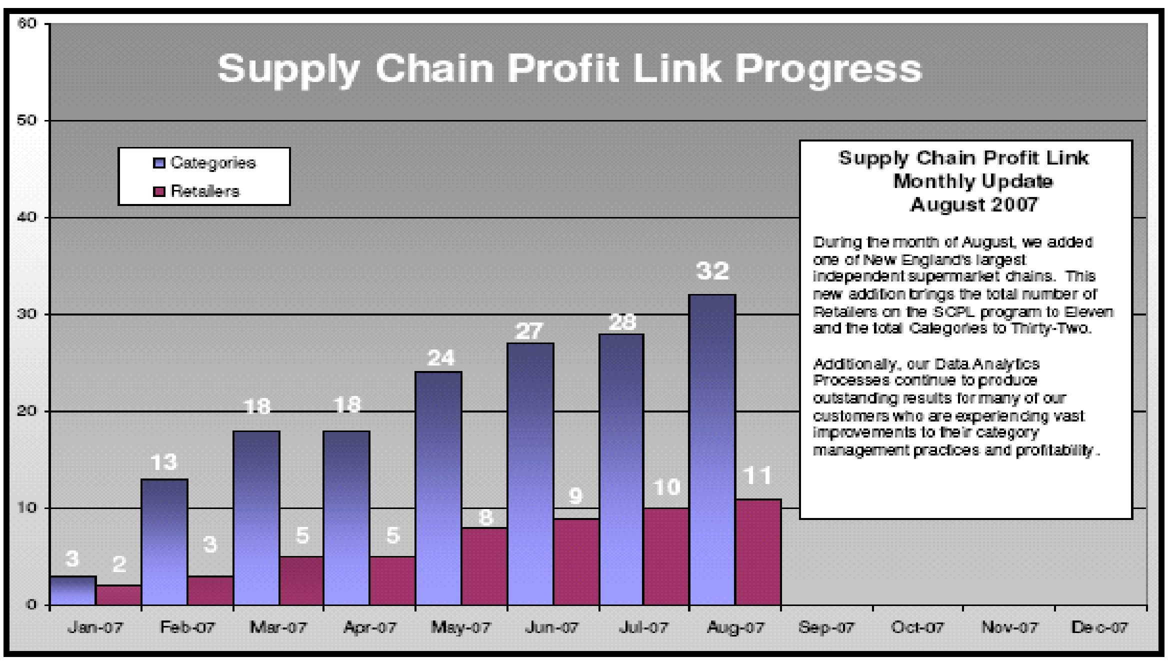
<u>Specialty Retail</u>
In general, this segment is experiencing a shrinking labor force and strong competition for qualified managers and staff. According to Park City Group, managers in this segment are time-constrained due to increased labor and inventory demands. Also, margins have become increasingly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

Outlook

We believe the potential exits for momentum to build as the Company focuses on its Supply Chain Profit Link offering and associated business analytic services. However, investors should be cognizant that in the near term it will take time to build on the level of engagements, as well as implementing those engagements for the Company's SCPL offering. Management has publicly stated that positive sequential top line results may not commence until the fourth quarter of fiscal 2007 (the three month period ending June 2007).

Management has publicly stated the following:

– During the graphical update for the time period ending August 31, 2007, the Company presented the following:



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

– The Company's first retailer that used the trial of SCPL expanded to seven paid engagements;

– Two retailers are currently in the trial phase and two U.S. supermarket chains have approved the program and were supposed to have started the trial phase in April 2007. However, it appears that the actual implementation of the product is taking longer than expected as evidenced by the chart on the prior page. We feel that some of the lag in implementation is the nature of the retailer, which can be embracing change slowly;

– The following table should give investors perspective as to the Top 10 U.S. Food Retailers:

Rank	Company	Stores	Est. Sales in $ Billions
1	Supervalu	4,227	$61.20
2	Kroger Co.	4,296	$59.90
3	Safeway	1,802	$38.60
4	Ahold USA Retail	1,048	$22.60
5	Publix Super Markets	875	$20.10
6	Delhaize America	1,542	$16.60
7	Meijer, Inc.	171	$12.50
8	H.E. Butt Grocery	304	$11.60
9	Wakefern Corp.	169	$9.10
10	Winn-Dixie Stores	587	$8.50

Source: http://www.parkcitygroup.com/investor_relations.htm Investors presentation link.

Four of the top 10 retailers are current clients of Park City Group;

- The goal is to obtain engagements with 30 to 40 of the top 100 retailers for SCPL offering. This will move Park City Group to a market dominate position with retailers quicker than selling Fresh Market Manager licenses. Although, once market dominance is achieved the Company has not given up the opportunity to up sell a Fresh Market Manager license to users of SCPL;
- It intends to make regular announcements related to the number of new engagements obtained in a given period; and
- Expansion of the Company's Pacific Rim development team has occurred, by adding three additional quality assurance and business analytic staffing in India that will support growth in future periods.

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

We believe that the agreement with Source Interlink, in which Park City Group will provide data management and business intelligence tools to help analyze retail front-end profitability, and manage inventory distribution, merchandising, and product placement of magazines, CDs, and DVDs, could be an important stepping stone to additional types of business if successful. It is likely to take a few quarters to see if success occurs.

Projections

Based on results for the first nine months of fiscal 2007, we are lowering our fiscal 2007 (ending June 30, 2007), forecasts for total revenue to $2.294 million (prior was $2.561 million), an EBITDA loss to $2.96 million (prior was $2.526 million), and a net loss of $3.303 million or $0.37 per share (prior was $2.682 million or ($0.30) per share). For the nine month period ended March 31, 2007, the Company reported total revenue of $1.645 million, an EBITDA loss of $1.977 million, and a net loss of $2.193 million or ($0.25) per share.

Our prior forecast for the second half of fiscal 2007, called for total revenue of $0.545 million and $0.870 million in the Company's fiscal third and fourth quarters, respectively. Third quarter total revenue was $0.498 million and we have adjusted our fourth quarter expectations to $0.650 million from our initial forecast of $0.870 million. Even though we have reduced expectations, the top line forecast still calls for sequential growth, which is based on the previously described change in strategic focus towards the Company's recurring revenue subscription model for the Supply Chain Profit Link offering and associated business analytic services that enhance the product.

To reiterate, the model for the SCPL offering is an upfront annual subscription fee that will be amortized over a twelve months (this means cash should run ahead of revenue). Management has publicly stated that the metric for this offering will be the term engagement (defined as one retailer or supplier managing one product category which can be a perishable or non-perishable product); therefore, the more engagements that occur

the higher the revenue should be in future periods. Also, according to the Company's public statements and Website, updates are being provided as to the actual growth in the number of categories Park City has, with those categories turning into engagements under management in subsequent periods. Also, investors should note that Management has not yet determined the line item on the income statement where the revenue garnered from SCPL will appear. Until a decision by the Company is publicly announced, the revenue from SCPL in this report will be included on the consulting and other line of the income statement.

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

Projected Number of Engagements by the end of each Qtr

	Q3 '07A	Q4 '07E	Q1 '08E	Q2 '08E	Q3 '08E	Q4 '08E
Current Est.		27	38	59	89	125
Prior Est.	18	45	68	117	176	222

Taglich Brothers estimates

Investors need to be aware that these are estimates an subject to change as additional public information becomes available, which is why our estimates for fiscal 2008 (which follow below) are still preliminary and could differ materially from actual results.

Based on our estimate of engagements for the SCPL offer, the Company's overall viral marketing strategy, revenue model, and relationship with Tesco-Lotus, we are adjusting our fiscal 2008 forecasts for total revenue to $6.365 million (prior was $7.395 million), an EBIDTA loss of $1.275 million (prior was EBIDTA of $0.175 million), and a net loss to common shareholders of $1.965 million or ($0.22) per share (prior was net income of $0.015 million or $0.00 per share). Our forecast for fiscal 2008 is comprised of the following:

- Gross margins of 62.92% (prior was 68.90%); however that is still and improvement from our estimate of 36.40% for fiscal 2007. The year-over-year improvement should result from the revenue mix that includes a significant ramp from the SCPL offering;

- Overall operating expenses of $5.480 million (prior was $5.060 million) versus our estimate of $4.054 million for fiscal 2007. However, as a percentage of total revenue, operating expenses will see an improvement to 86.10% versus our forecast of 176.72% for fiscal 2007. The year-over-year percentage improvement should result from an increase in total revenue;

- No recorded income taxes due to the losses and over $6.0 million in net operating loss carryforwards for Federal income tax reporting purposes;

- Accrued dividends on the Company's convertible preferred stock of approximately $0.290 million. Since the preferred stock was issued towards the end of June 2007, no corresponding dividends are likely to be recorded in 2007; and

- Average shares of approximately 8.971 million in fiscal 2008 versus 8.937 million in fiscal 2007.

It is important for investors to be aware that quarterly top line results could fluctuate materially from our forecasts primarily due to: 1) the timing of new engagements for SCPL; 2) amount of consulting work associated with each engagement; 3) expansion of the Tesco relationship; and 4) the size and implementation of a Fresh Market Manager or ActionManager licenses. We believe in the future that the best way to identify growth in the Company's top line is to evaluate a given twelve-month period, which should eliminate variances that might occur in any one particular quarter.

An additional caveat relates to the Company's cash burn (we estimate approximately $0.650 million per quarter) relative to cash on hand. As of March 31, 2007, the Company had cash on hand of $0.784 million. It is important to note that the June 2007 convertible preferred offering added approximately $5.3 million of cash to the balance sheet. Therefore based on our forecast, the Company should have more than enough cash on hand to execute on its business strategy into fiscal 2009. **However, if cash generated from operations is insufficient to satisfy future liquidity requirements and cash burn is higher then forecast, additional financing may be required in the form of selling additional public or private equity securities or obtain debt financing.**

Risks

<u>Potential Losses</u>
The Company has incurred losses in the past and there can be no assurance that it will operate at a profit in the future.

For the years ended June 30, 2006 and June 30, 2005, Park City Group experienced net income of $1.394 million and a net loss of $3.408 million, respectively. However, for the nine months ended March 31, 2007, the Company experienced a net loss of $2.193 million. According to Management, there can be no assurance that the Company will operate at a profit during future fiscal years. If it does not operate profitably in the future the current cash position will be used to fund operating losses.

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

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

<u>Liquidity and Capital Requirements</u>
The Company completed (during its fiscal fourth quarter of 2007) the sale of convertible preferred stock from which was received gross proceeds of $5.8 million (net proceeds were nearly $5.3 million). We believe it will have adequate cash resources to fund operations for at least the next year and one-half. Thereafter, liquidity and capital requirements will depend upon numerous other factors, including the following:

- The extent to which products and services gain market acceptance;
- The progress and scope of product evaluations;
- The timing and costs of acquisitions and product and services introductions;
- The extent of ongoing research and development programs; and
- The costs of developing marketing and distribution capabilities.

In the future, if the Company is required to seek additional financing in order to fund operations and carry out its business plan, there can be no assurance that such financing will be available on terms deemed to be commercially acceptable, as well as in the Company's best interests.

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

Blank Check Authorization of Preferred Stock

The Company's certificate of incorporation currently authorizes the issuance of up to 30.0 million shares of blank check preferred stock with designations, rights, and preferences as may be determined from time to time by the Board of Directors. The Board is empowered, without stockholder approval, to issue one or more additional series of preferred stock with dividend, liquidation, conversion, voting, or other rights that could dilute the interest of, or impair the voting power of, common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying, or preventing a change in control.

Attract and Retain Qualified Personnel

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

Shareholder Control

According to the Company's SB-2 filing on August 3, 2007, Randall K. Fields, its CEO, controls approximately 48.4% of Park City Group's common stock. Other officers and directors control approximately 6.1% of the Company's common stock. Therefore, the Company's CEO, officers, and directors combined will be able to significantly influence all matters requiring approval by stockholders, including the election of directors and significant corporate transactions.

Reliance on the Company's CEO and Chairman

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

Related Party Transactions

In March 2006, the Company obtained a Note Payable from a bank in the amount of $1.940 million. Riverview Financial Corporation, a wholly owned affiliate of the Company's CEO, currently is the guarantor and receives a fee of 3.0% of the outstanding balance of the note payable as consideration for the guarantee.

The Company has a revolving line of credit with Riverview to cover short-term cash needs pursuant to a promissory note payable. The credit facility has a maximum draw amount of $0.800 million and bears interest at 12% with a fee for advances. Repayments are made as funds are available, with a due date of June 15, 2007. There was a zero balance due on the line at March 31, 2007.

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

Shift in Revenue Mix

Historically, the Company offered its software applications and related maintenance contracts to new customers on a one-time upfront license strategy and provided an option for annually renewing of their maintenance agreements. Due to the fact that the one-time licensing fee approach was subject to inconsistent and unpredictable revenues, the Company began offering prospective customers an option for monthly licensing of these products. Under this option, customers may now choose to acquire the software in an application solution provider basis, resulting in monthly charges for use of the software and maintenance. The conversion from a onetime, non-recurring licensing strategy to monthly-based fees is subject to the following risks:

- Customers may prefer one-time fees rather than monthly fees;
- Because public awareness pertaining to application solution provider services will be delayed until the commencement of the marketing campaign to promote those services, revenues may decrease over the short term; and
- There maybe 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.

Emerging Technologies

The markets for the Company's type of software products are characterized by continual development of new software, software solutions, or enhancements, rapidly evolving technological change, as well as unanticipated changes in customer needs.

Customer Concentration

During fiscal 2006, the Company received approximately $4.57 million of its revenue from new customers and approximately $2.5 million in revenue from existing customers for continued support and additional license sales.

Also, one customer in fiscal 2006 and two customers in fiscal 2005 exceeded 10% of the Company's total revenue.

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

Growth Management

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

Protection of Intellectual Property Rights

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

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

Competition

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

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

Corporate Governance

Wall Street has increased its focus on corporate governance and placed increased emphasis on the accountability of Management and Directors to shareholders. Investors are also increasingly considering executive compensation and familial relationships. The above factors have brought about the passage of the Sarbanes-Oxley Act of 2002 by Congress and signage by the President. Corporate governance may be an issue facing the Company in light of new rules and regulations being issued by government regulatory agencies. This could mean that the Company will eventually be required to hire additional personnel in order to diversify various operational, management, and compliance functions, as well as spend monies to comply with internal control deficiencies in its accounting for property, plant and equipment and deficiencies in disclosure control, as well as other aspects of the Act.

Legal Issue

During fiscal 2007, the Company filed a lawsuit against Workbrain Corporation titled Park City Group, Inc. vs. Workbrain Corporation, which is pending in the Federal District Court for the District of Utah. The Company claims that Workbrain Corporation is infringing upon its patent #5,111,391. The Company will vigorously pursue this matter.

According to the Company's 2007 third quarter 10-Q filing, it was served with a complaint from two previous employees titled James D. Horton and Aaron Prevo v Park City Group, Inc. and Randy Fields, which has been filed in the Second Judicial District Court, Davis County, Utah. The plaintiffs' complaint alleges that certain provisions of their employment agreements were not honored. The Company denies all allegations in the complaint and will vigorously defend this matter.

Miscellaneous Risk

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

Trading Volume

Liquidity is a potential concern. Based on our calculations, the average daily-volume for calendar 2005 was 3,690 shares. During calendar 2006 average daily volume increased to 7,754 shares traded a day. During the first eight months of 2007 average daily volume decreased to 6,572 shares traded a day. Investors need to be aware that by nature a thinly traded equity can have significant price volatility. The OTC BB is a market that is relatively thinly traded as compared to the NASDAQ markets, AMEX, and NYSE. This may present increased risk and liquidity concerns to shareholders.

Conclusion

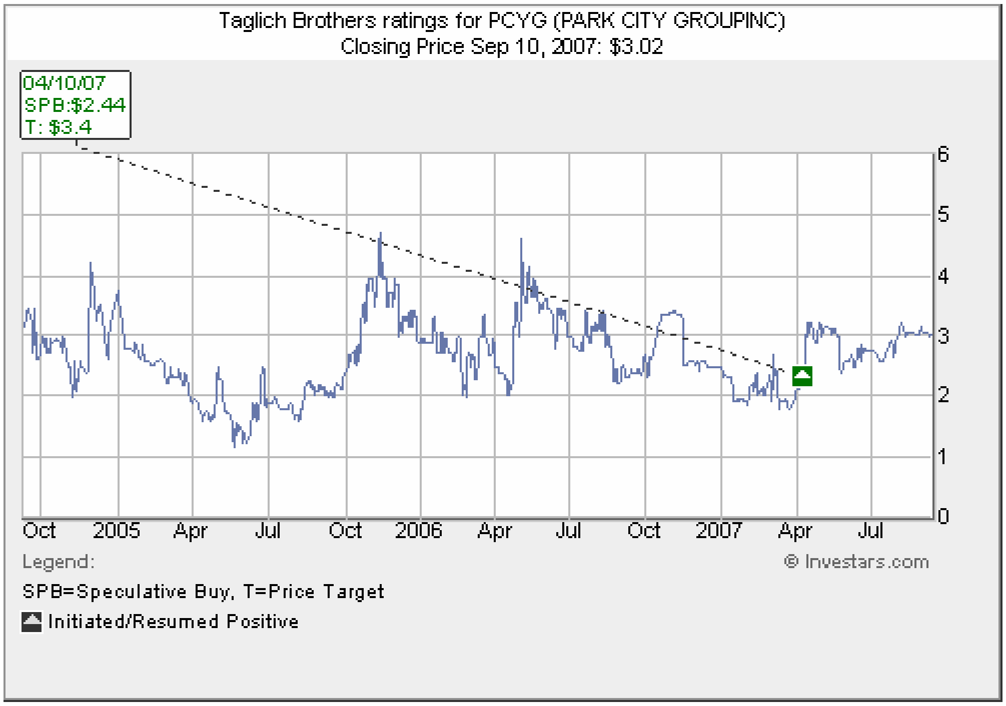
We are downgrading our rating to Neutral from Speculative Buy on Park City Group, Inc. (OTC BB: PCYG), pending further viability of the sales ramp and implementation cycle for the Company's suite of offerings including Supply Chain Profit Link (SCPL) and Business Analytic services.

We will also continue to monitor the number of engagements obtained for SCPL, actual closed sales, and cash generated from those closed sales. At the end of August 2007 and June 2007, the Company publicly stated it had 32 engagements from 11 retailers and 27 engagements from 10 retailers, respectively. Our projection for the number of engagements at the end of June 2007 was 45.

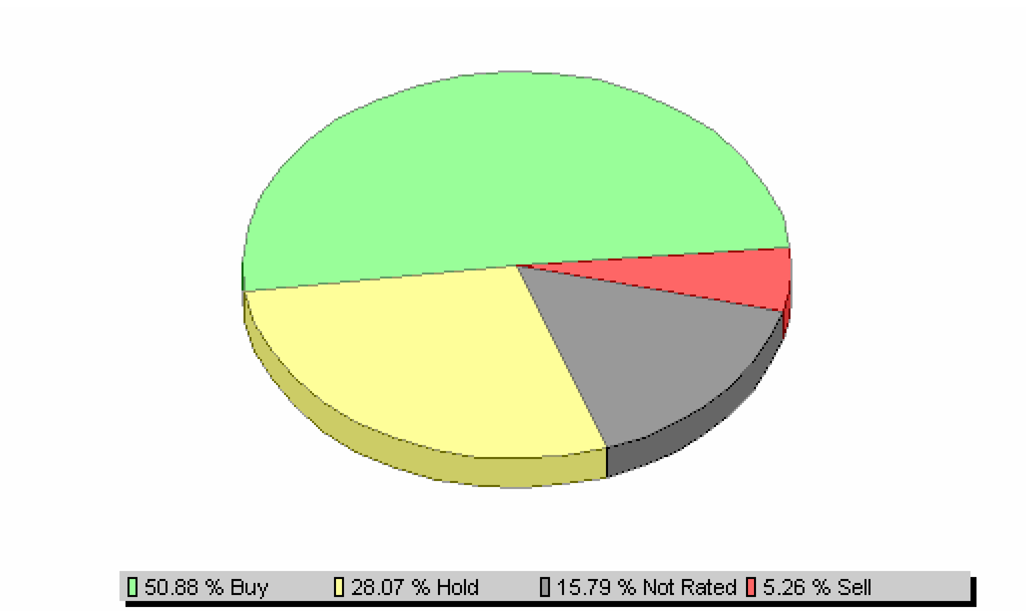
It is our view that the prudent course of action for investors is to see how Management performs over the next two quarters (Q4'07 and Q1'08), in terms of its execution of sales and implementations of the Company's SCPL product offering. Investors should be cognizant that cash and deferred revenue will only occur after a pilot test is completed and implementation occurs.

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

- Cash burn;
- Development of an annual subscription model for SCPL application;
- Revenue mix;
- Potential losses from operations;
- Low daily trading volume; and
- Liquidity and capital requirements.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	0	0
Hold	1	5.56%
Sell	0	0
Not Rated	0	0

<u>Meaning of Ratings</u>

Buy

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

Speculative Buy

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

Neutral

We will remain neutral pending certain developments.

Underperform

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

Sell

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

Some notable Risks within the Microcap Market

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

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

Public Companies mentioned in this report:

Wal Mart (NYSE: WMT)
Costco (NasdaqGS: COST)
Target (NYSE: TGT)

* The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research. As of September 11, 2007, Michael Taglich, President, and Robert Taglich, Managing Director, each own 89,860 shares and 72,727 shares, respectively, of PCYG restricted common stock from the June 2006 offering. Taglich Brothers, Inc. has an Investment Banking relationship with the company. As of September 11, 2007, Michael Taglich, President, and Robert Taglich, Managing Director, each own 25,000 shares, respectively, of PCYG Series A 7% Convertible Preferred from the June 2007 private placement. As of September 11, 2007, 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. 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 2,100 shares of PCYG Series A 7% Convertible Preferred from the June 2007 private placement. Richard Oh, Managing Director and Director of Research, owns 17,534 warrants that were attained from private placements for the company in June 2006 and June 2007. In June 2006, Taglich Brothers, Inc. raised $5,000,000 for the company through a private placement of 1,183,149 shares of unregistered common stock. Also, in June 2007, Taglich Brothers, Inc. raised $5.840 million for the company through a private placement of $10 Series A 7% Convertible Preferred, which is convertible at $3.00 per share. All research issued by Taglich Brothers, Inc. is based on public information. The company paid for the creation and dissemination of research reports for the first year a monetary fee of $21,000 (USD) on September 2006, and after the first year of publication will pay a monthly monetary fee of $1,750 (USD) to Taglich Brothers, Inc., for the creation and dissemination of research reports.

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

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

	June 2005 Full Year	June 2006 Full Year	Sept. 2006 1st Qtr End	Dec. 2006 2nd Qtr End	Mar. 2007 3rd Qtr End
ASSETS					
Current assets:					
Cash and cash equivalents	$ 210	$ 3,517	$ 2,611	$ 1,423	$ 784
Marketable securities	-	-	-	-	64
Receivables, net of allowances	327	103	114	202	391
Other receivables	29	238	250	179	190
Prepaid expenses and other current assets	37	174	199	248	252
Total current assets	**603**	**4,032**	**3,175**	**2,052**	**1,681**
Property and equipment, net	110	85	84	327	452
Deposits and other assets	25	30	28	43	27
Capitalized software costs, net	332	680	738	853	921
Total assets	**$ 1,070**	**$ 4,826**	**$ 4,025**	**$ 3,275**	**$ 3,082**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	628	112	218	321	252
Accrued liabilities	317	230	179	403	400
Deferred revenue	883	649	413	108	460
Line of credit	-	-	-	-	100
Current portion of capital lease obligations	23	17	14	13	71
Derivative liability	-	490	433	401	-
Related party payable lines of credit	620	-	-	-	-
Related party accrued interest	848	-	-	-	-
Related party notes payable, net of discount	333	-	-	-	-
Notes payable, net of discounts	1,945	-	-	-	-
Total current liabilities	**5,597**	**1,497**	**1,259**	**1,246**	**1,282**
Long-term note payable, net of discount	-	1,843	1,860	1,873	1,887
Long-term related party note payable, net of discount	3,173	-	-	-	-
Capital lease obligations, less current portion	2	5	2	-	234
Stockholders' equity:					
Common stock, $0.01 par value; authorized 50,000,000 shares	57	89	89	89	89
Additional paid-in capital	12,807	20,565	20,532	20,520	20,555
Accumulated deficit	(20,566)	(19,173)	(19,717)	(20,454)	(20,965)
Total stockholders' equity	**(7,703)**	**1,482**	**904**	**156**	**(321)**
Total liabilities and stockholders' equity	**$ 1,070**	**$ 4,826**	**$ 4,025**	**$ 3,275**	**$ 3,082**

* Totals may not add due to rounding

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

	FY2004A	FY2005A	FY2006A	**FY2007E**	**FY2008E**
Software licenses	3,246	480	3,627	**122**	**1,375**
Maintenance and support	2,274	2,312	2,272	**1,501**	**1,630**
Application server provider	-	104	182	**96**	**120**
Consulting and other (includes SCPL revenue)	510	736	1,004	**575**	**3,240**
Total Revenues	6,030	3,632	7,085	**2,294**	**6,365**
Cost of revenues	1,367	1,449	1,587	**1,459**	**2,360**
Gross Profit	4,663	2,183	5,499	**835**	**4,005**
Gross Margins	77.34%	60.11%	77.61%	**36.40%**	**62.92%**
Operating Expenses:					
Research and development	1,176	1,019	292	**501**	**580**
Sales and marketing	1,158	1,337	1,376	**1,456**	**2,250**
General and administrative	1,673	2,056	1,518	**2,097**	**2,650**
Total Operating Expenses	4,007	4,413	3,186	**4,054**	**5,480**
EBITDA	982	(1,942)	2,601	**(2,960)**	**(1,275)**
Operating Income (loss)	656	(2,230)	2,313	**(3,219)**	**(1,475)**
Operating Margin	10.88%	-61.39%	32.64%	**-140.31%**	**-23.18%**
Other income (expense)					
Other	209	-	-	**-**	**-**
Derivative liability	-	-	(35)	**89**	**-**
Interest expense	(1,540)	(1,178)	(884)	**(173)**	**(200)**
Total Other Income (expense)	(1,331)	(1,178)	(919)	**(84)**	**(200)**
Pre-Tax Income (loss)	(675)	(3,408)	1,394	**(3,303)**	**(1,675)**
Pre-Tax Margins	-11.20%	-93.84%	19.67%	**-143.96%**	**-26.32%**
Income Tax Expense (Benefit)	-	-	-	**-**	**-**
Tax Rate	0.00%	0.00%	0.00%	**0.00%**	**0.00%**
Net income (loss)	$ (675)	$ (3,408)	$ 1,394	**$ (3,303)**	**$ (1,675)**
Accrued preferred dividend	-	-	-	**-**	**290**
Net income (loss) to common shareholders	$ (675)	$ (3,408)	$ 1,394	**$ (3,303)**	**$ (1,965)**
Earnings per share	$ (0.14)	$ (0.62)	$ 0.22	**$ (0.37)**	**$ (0.22)**
Avg Shares Outstanding	4,711	5,489	6,263	**8,937**	**8,971**
Percent of Revenue					
Research and development	19.51%	28.07%	4.12%	21.84%	9.11%
Sales and marketing	19.21%	36.82%	19.42%	63.47%	35.35%
General and administrative	27.74%	56.61%	21.43%	91.40%	41.64%
Interest	25.55%	32.45%	12.48%	7.52%	3.14%
Year / Year Growth					
Total revenues		-39.77%	95.09%	-67.62%	177.40%

Park City Group, Inc.
Income Statement Model
For the Year Ended June 30, 2005
(in thousands)

	Q1(09/04)A	Q2 (12/04)A	Q3 (03/05)A	Q4 (06/05)A	FY2005A
Software licenses	162	142	150	26	480
Maintenance and support	623	659	532	499	2,312
Application server provider	12	21	29	43	104
Consulting and other (includes SCPL revenue)	192	120	95	327	736
Total Revenues	990	941	806	895	3,632
Cost of revenues	300	352	394	403	1,449
Gross Profit	690	589	412	493	2,183
Gross Margins	69.67%	62.62%	51.08%	55.03%	60.11%
Operating Expenses:					
Research and development	256	251	256	256	1,019
Sales and marketing	293	382	310	352	1,337
General and administrative	310	669	378	699	2,056
Total Operating Expenses	860	1,302	944	1,307	4,413
EBITDA	(86)	(627)	(448)	(781)	(1,942)
Operating Income (loss)	(170)	(713)	(532)	(814)	(2,230)
Operating Margin	-17.18%	-75.73%	-66.07%	-90.98%	-61.39%
Other income (expense)					
Other	0	-	-	-	-
Derivative liability	-	-	-	-	-
Interest expense	(275)	(288)	(301)	(315)	(1,178)
Total Other Income (expense)	(275)	(288)	(301)	(315)	(1,178)
Pre-Tax Income (loss)	(445)	(1,001)	(833)	(1,130)	(3,408)
Pre-Tax Margins	-44.93%	-106.33%	-103.36%	-126.21%	-93.84%
Income Tax Expense (Benefit)	-	-	-	-	-
Tax Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	$ (445)	$ (1,001)	$ (833)	$ (1,130)	$ (3,408)
Accrued preferred dividend	-	-	-	-	-
Net income (loss) to common shareholders	$ (445)	$ (1,001)	$ (833)	$ (1,130)	$ (3,408)
Earnings per share	$ (0.08)	$ (0.18)	$ (0.15)	$ (0.20)	$ (0.62)
Avg Shares Outstanding	5,382	5,450	5,547	5,577	5,489
Percent of Revenue					
Research and development	25.88%	26.65%	31.81%	28.62%	28.07%
Sales and marketing	29.65%	40.63%	38.48%	39.27%	36.82%
General and administrative	31.33%	71.07%	46.87%	78.11%	56.61%
Interest	27.74%	30.60%	37.29%	35.23%	32.45%
Year / Year Growth					
Total revenues					-39.77%

Park City Group, Inc.
Income Statement Model
For the Year Ended June 30, 2006
(in thousands)

	Q1(09/05)A	Q2 (12/05)A	Q3 (03/06)A	Q4 (06/06)A	FY2006A
Software licenses	2,630	231	574	192	3,627
Maintenance and support	608	606	535	522	2,272
Application server provider	49	50	49	34	182
Consulting and other (includes SCPL revenue)	411	227	212	155	1,004
Total Revenues	3,699	1,114	1,370	903	7,085
Cost of revenues	405	417	397	367	1,587
Gross Profit	3,294	696	973	535	5,499
Gross Margins	89.06%	62.52%	71.02%	59.30%	77.61%
Operating Expenses:					
Research and development	236	224	225	(393)	292
Sales and marketing	283	310	395	387	1,376
General and administrative	313	316	419	470	1,518
Total Operating Expenses	832	851	1,039	464	3,186
EBITDA	2,546	(69)	20	104	2,601
Operating Income (loss)	2,462	(154)	(66)	71	2,313
Operating Margin	66.56%	-13.86%	-4.84%	7.88%	32.64%
Other income (expense)					
Other	0	-	-	-	-
Derivative liability	-	-	-	(35)	(35)
Interest expense	(297)	(200)	(319)	(67)	(884)
Total Other Income (expense)	(297)	(200)	(319)	(102)	(919)
Pre-Tax Income (loss)	2,165	(355)	(386)	(31)	1,394
Pre-Tax Margins	58.53%	-31.86%	-28.17%	-3.40%	19.67%
Income Tax Expense (Benefit)	-	-	-	-	-
Tax Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	$ 2,165	$ (355)	$ (386)	$ (31)	$ 1,394
Accrued preferred dividend	-	-	-	-	-
Net income (loss) to common shareholders	$ 2,165	$ (355)	$ (386)	$ (31)	$ 1,394
Earnings per share	$ 0.38	$ (0.06)	$ (0.07)	$ (0.00)	$ 0.22
Avg Shares Outstanding	5,680	5,670	5,730	7,972	6,263
Percent of Revenue					
Research and development	6.38%	20.09%	16.44%	-43.48%	4.12%
Sales and marketing	7.66%	27.88%	28.84%	42.87%	19.42%
General and administrative	8.47%	28.41%	30.57%	52.02%	21.43%
Interest	8.03%	18.00%	23.33%	7.46%	12.48%
Year / Year Growth					
Total revenues	273.75%	18.34%	69.96%	0.86%	95.09%

* Totals may not add due to rounding

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

	Q1(09/06)A	Q2 (12/06)A	Q3 (03/07)A	Q4 (06/07)E	FY2007E
Software licenses	-	25	47	50	122
Maintenance and support	448	397	321	335	1,501
Application server provider	21	23	26	25	96
Consulting and other (includes SCPL revenue)	116	115	104	240	575
Total Revenues	586	561	498	650	2,294
Cost of revenues	360	280	404	415	1,459
Gross Profit	226	280	94	235	835
Gross Margins	38.60%	50.01%	18.86%	36.11%	36.40%
Operating Expenses:					
Research and development	84	139	138	140	501
Sales and marketing	259	345	377	475	1,456
General and administrative	457	532	507	600	2,097
Total Operating Expenses	801	1,017	1,022	1,215	4,054
EBITDA	(492)	(713)	(824)	(930)	(2,960)
Operating Income (loss)	(575)	(736)	(928)	(980)	(3,219)
Operating Margin	-98.07%	-131.30%	-186.30%	-150.92%	-140.31%
Other income (expense)					
Other	0	-	64	-	-
Derivative liability	56	33	-	-	89
Interest expense	(26)	(34)	(48)	(65)	(173)
Total Other Income (expense)	31	(1)	16	(65)	(84)
Pre-Tax Income (loss)	(544)	(737)	(912)	(1,045)	(3,303)
Pre-Tax Margins	-92.86%	-131.47%	-183.11%	-160.93%	-143.96%
Income Tax Expense (Benefit)	-	-	-	-	-
Tax Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	$ (544)	$ (737)	$ (912)	$ (1,045)	$ (3,303)
Accrued preferred dividend	-	-	-	-	-
Net income (loss) to common shareholders	$ (544)	$ (737)	$ (912)	$ (1,045)	$ (3,303)
Earnings per share	$ (0.06)	$ (0.08)	$ (0.10)	$ (0.12)	$ (0.37)
Avg Shares Outstanding	8,931	8,931	8,934	8,950	8,937
Percent of Revenue					
Research and development	14.41%	24.78%	27.66%	21.55%	21.84%
Sales and marketing	44.23%	61.57%	75.66%	73.12%	63.47%
General and administrative	78.04%	94.96%	101.84%	92.36%	91.40%
Interest	4.39%	5.98%	9.69%	10.01%	7.52%
Year / Year Growth					
Total revenues	-84.16%	-49.65%	-63.63%	-28.06%	-67.62%

* Totals may not add due to rounding

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

	Q1(09/07)E	Q2 (12/07)E	Q3 (03/08)E	Q4 (06/08)E	FY2008E
Software licenses	200	300	400	475	1,375
Maintenance and support	400	405	410	415	1,630
Application server provider	30	30	30	30	120
Consulting and other (includes SCPL revenue)	645	770	815	1,010	3,240
Total Revenues	1,275	1,504	1,655	1,930	6,365
Cost of revenues	485	565	610	700	2,360
Gross Profit	790	939	1,045	1,230	4,005
Gross Margins	61.96%	62.44%	63.14%	63.74%	62.92%
Operating Expenses:					
Research and development	145	145	145	145	580
Sales and marketing	525	550	575	600	2,250
General and administrative	625	650	675	700	2,650
Total Operating Expenses	1,295	1,345	1,395	1,445	5,480
EBITDA	(455)	(356)	(300)	(165)	(1,275)
Operating Income (loss)	(505)	(406)	(350)	(215)	(1,475)
Operating Margin	-39.61%	-26.96%	-21.17%	-11.11%	-23.18%
Other income (expense)					
Other	0	-	-	-	-
Derivative liability	-	-	-	-	-
Interest expense	(50)	(50)	(50)	(50)	(200)
Total Other Income (expense)	(50)	(50)	(50)	(50)	(200)
Pre-Tax Income (loss)	(555)	(456)	(400)	(265)	(1,675)
Pre-Tax Margins	-43.53%	-30.28%	-24.19%	-13.70%	-26.32%
Income Tax Expense (Benefit)	-	-	-	-	-
Tax Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	$ (555)	$ (456)	$ (400)	$ (265)	$ (1,675)
Accrued preferred dividend	72	72	73	73	290
Net income (loss) to common shareholders	$ (627)	$ (528)	$ (473)	$ (338)	$ (1,965)
Earnings per share	$ (0.07)	$ (0.06)	$ (0.05)	$ (0.04)	$ (0.22)
Avg Shares Outstanding	8,960	8,965	8,975	8,985	8,971
Percent of Revenue					
Research and development	11.37%	9.64%	8.76%	7.51%	9.11%
Sales and marketing	41.18%	36.56%	34.75%	31.08%	35.35%
General and administrative	49.02%	43.21%	40.79%	36.26%	41.64%
Interest	3.92%	3.32%	3.02%	2.59%	3.14%
Year / Year Growth					
Total revenues	117.61%	168.32%	232.17%	197.18%	177.40%

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

	FY2004A	FY2005A	FY2006A	9 Mos. 2007 A
Cash Flows from Operating Activities				
Net Income (loss)	$ (672)	$ (3,408)	$ 1,394	$ (2,193)
Depreciation and amortization	326	338	288	169
Bad debt expense	-	358	70	(85)
Loss on derivative liability	-	-	35	(89)
Stock issued for services and expenses	678	677	205	41
Amortization of discounts on debt	390	178	224	44
	-	-	-	(12)
Gain on settlement of payable	(90)	-	-	-
Gain on forgiveness of debt	(119)	-	-	-
	513	(1,857)	2,216	(2,125)
Changes In:				
Trade receivables	(198)	458	154	(255)
Other receivables	(65)	(29)	(209)	48
Prepaids and other assets	-	169	(142)	(76)
Accounts payable	(41)	301	(516)	140
Accrued liabilities	102	(108)	(87)	170
Deferred revenue	(106)	(228)	(235)	(189)
Related party payable	(175)	-	97	-
Accrued interest, related party	33	501	(554)	-
Net changes in working capital	(451)	1,063	(1,491)	(162)
Net cash Provided by Operations	62	(794)	725	(2,288)
Cash Flows from Investing Activities				
Purchase of property and equipment	(57)	(35)	(22)	(125)
Capitalization of software costs	-	-	(565)	(352)
Proceeds from disposal of property	-	3	-	-
Cash Flows from Investing Activities	(57)	(32)	(587)	(477)
Cash Flows from Financing Activities				
Net (payments) proceeds in lines of credit	69	620	(717)	100
Offering costs associated with issuance of stock	-	-	-	(51)
Proceeds from issuances of stock, net of offering costs	239	150	4,435	-
Payment of extend note	(40)	(9)	(9)	-
Proceeds from debt	-	-	1,833	-
Payments on notes payable and capital leases	(30)	(38)	(2,373)	(17)
Net cash provided by Financing	238	723	3,169	32
Net change in Cash	244	(103)	3,307	(2,733)
Cash Beginning of Period	69	313	210	3,517
Cash End of Period	$ 313	$ 210	$ 3,517	$ 784

* Totals may not add due to rounding