

Reconciliations of Non-GAAP Financial Measures

For the Three Months Ended
September 30, 2011 and 2010



Non-GAAP Metrics Disclosure

- ❑ The Company believes that providing both GAAP and adjusted non-GAAP measures of its performance will provide meaningful supplemental information regarding its operational effectiveness and to enhance investors' overall understanding of the Company's current financial performance and prospects for the future. Management believes that investors benefit from seeing its results "through the eyes" of management in addition to the GAAP presentation.
- ❑ It is Managements belief that while not in accordance with or an alternative for GAAP, the adjusted information allows for greater transparency to supplemental information used by management in its financial and operational decision making.
- ❑ The adjusted information excludes items, such as amortization of intangible assets, impairment charges, depreciation, charges to consolidate and integrate recently acquired businesses and non-cash stock based compensation, and other non-cash charges that may have a material effect on the Company's net income and net income per share in accordance with GAAP.
- ❑ Management monitors these items to ensure that expenses are in line with expectations and that its GAAP results are correctly stated, but does not use them to measure the ongoing bottom line operating performance of the Company. Furthermore, the non-GAAP or adjusted information provided by the Company may be different from the non-GAAP or adjusted information provided by other companies.

Adjusted EBITDA

Reconciliation of GAAP and Non-GAAP Financial Measures

(In \$000's)	For the Three Months Ended	
	September 30	
Audited results of operations	2011	2010
Net Income (loss)	\$ (280)	\$ (302)
Adjusted EBITDA Reconciliation Adjustments:		
Depreciation and amortization	224	194
Bad debt expense	43	0
Interest, net	73	98
Stock based compensation	253	131
One-time expenses (stock and cash)	60	450
Adjusted EBITDA	\$ 373	\$ 571

Non-GAAP Earnings Per Share

Reconciliation of GAAP and Non-GAAP Financial Measures For

(In \$000's, except per share)	For the Three Months Ended	
	September 30	
Audited results of operations	<u>2011</u>	<u>2010</u>
Net Income (loss)	\$ (280)	\$ (302)
Non-GAAP Net Income (loss) Reconciliation Adjustments:		
Stock based compensation	253	131
One-time expenses (stock and cash)	60	450
Acquisition related amortization (1)	126	126
Adjusted Non-GAAP Net Income (loss)	\$ 159	\$ 405
Preferred Dividends	(208)	(207)
Adjusted Non-GAAP Net income to Common Shareholders	\$ (49)	\$ 198
Weighted average shares, diluted	11,650,000	10,950,000
Adjusted Non-GAAP EPS, diluted	<u>\$ (0.00)</u>	<u>\$ 0.02</u>

Non-GAAP Free Cash Flow

Reconciliation of GAAP and Non-GAAP Financial

(In \$000's)	For the Three Months Ended	
	September 30	
Audited results of operations	2011	2010
Net cash provided by operating activities	\$ (56)	\$ 43
Non-GAAP Free Cash Flow Reconciliation		
Adjustments:		
Purchase of property and equipment	(20)	(17)
Capitalized of software costs	0	(89)
Adjusted Free Cash Flow	\$ (76)	\$ (63)

Free cash flow includes net cash provided (used) by operating activities less replacement purchases of property and equipment. Capital expenditures related to long-term investments and new technology developments are omitted. During 1Q12 the Company invested \$0 in new technology development.

Non-GAAP Net Debt

Reconciliation of GAAP and Non-GAAP Financial

(In \$000's)	For The Three Months Ended	
	September 30	
Audited results of operations	<u>2011</u>	<u>2010</u>
Total Debt	\$ 3,363	\$ 4,119
Non-GAAP Free Cash Flow Reconciliation		
Adjustments:		
Less: Total Cash	<u>996</u>	<u>771</u>
Non-GAAP Net Debt	<u><u>\$ 2,367</u></u>	<u><u>\$ 3,348</u></u>

Contact Information

For more information, please contact:

David Colbert, CFO
Park City Group, Inc.
dcolbert@parkcitygroup.com
435-645-2000

Randy Fields, Chairman, CEO
Park City Group, Inc.
randy@parkcitygroup.com
435-645-2000

