

AUDIT COMMITTEE CHARTER

The Board of Directors (the “Board”) of Park City Group, Inc., a Nevada Corporation (the “Company”), approves and adopts the following Audit Committee Charter to specify the composition, roles and responsibilities of the Audit Committee. As used in this Charter, (i) “Company” includes the Company and its subsidiaries unless the context otherwise requires, (ii) “Nasdaq/AMEX” means the Nasdaq National Market and the American Stock Exchange, (iii) “SEC” means the Securities and Exchange Commission and (iv) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

Purpose

The Audit Committee shall provide assistance to the members of the Board in fulfilling their responsibility to the stockholders relating to corporate accounting, reporting to the SEC, and the quality and integrity of financial reports of the Company filed with the SEC. In so doing, it is the responsibility of the Audit Committee to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company and to maintain free and open communication between the directors, the independent auditors, and the financial management of the Company.

Composition

The Audit Committee shall consist of not less than three members, comprised solely of independent directors, each of whom shall not have:

1. been employed by the Company or its affiliates in the current or past three years;
2. accepted any compensation from the Company or its affiliates in excess of \$60,000 during the previous fiscal year, except for board service, retirement plan benefits, payments arising solely from investments in the Company’s securities or non-discretionary compensation;
3. an immediate family member who is, or has been in the past three years, employed by the Company or its affiliates as an executive officer;
4. been a partner, controlling stockholder or an executive officer of any for-profit business to which the Company made, or from which it received, payments, other than those which arise solely from investments in the Company’s securities, that exceed five percent of the Company’s or such other organization’s consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years; or
5. been employed nor have any immediate family member who has been employed as an executive of another entity where any of the Company’s executives serve on such entity’s compensation committee. [Nasdaq/AMEX 4200(a)(14)]

In addition, each member of the Audit Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, or will become able to do so within a reasonable period of time after his or her appointment to the Audit Committee. Moreover, at least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any comparable experience, or background which results in financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. [Nasdaq/AMEX 4310(c)(26)(B)(i)] The qualifications required of Audit Committee members shall be interpreted in conformity with Rules 4200(a)(14) and 4310(c)(26)(B) of the Nasdaq/AMEX Marketplace Rules.

The Chairman of the Audit Committee shall be designated by the Board; provided that if a Chairman is not designated by the Board or present at a meeting, the Audit Committee may designate a Chairman by majority vote of the Audit Committee members then in office.

Roles and Responsibilities

Relationship with the Outside Auditors

The Company's outside auditors are ultimately responsible to the Audit Committee, as representatives of the Company's stockholders. [Nasdaq/AMEX 4310(c)(26)(A)(iii)]

The Audit Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the outside auditors (or to nominate the outside auditors to be proposed for stockholder approval in any proxy statement). [Nasdaq/AMEX 4310(c)(26)(A)(ii) and (iii)]

The Audit Committee has the further authority and responsibility to review the fees charged by the outside auditors, the scope of their engagement and proposed audit approach and to recommend such review or auditing steps as the Audit Committee may consider desirable. The Audit Committee shall establish policies and procedures for the engagement of the independent auditors to provide permissible non-audit services, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which shall include pre-approval of permissible non-audit services to be provided by the independent auditors. The Audit Committee shall approve in advance all non-audit services to be provided by the independent auditors.

The Audit Committee shall review and confirm the independence of the outside auditors by requiring that the outside auditors submit to the Audit Committee on a periodic basis a formal written statement delineating all relationships between the outside auditors and its related entities and the Company and its related entities, engaging in a dialogue with the outside auditors with respect to any disclosed relationships or services that may impact their objectivity and independence and taking,

or recommending, that the Board take appropriate action to oversee the independence of the of the outside auditors. [Nasdaq/AMEX 4310 (c)(26)(A)(ii)] In addition to disclosing all relationships between the outside auditors and its affiliates and the Company and its affiliates, the outside auditors' formal written statement shall also contain a confirmation that, in the outside auditors' professional judgment, it is independent of the Company within the meaning of the federal securities laws. [Nasdaq/AMEX 4310(c)(26)(A)(ii) and Independence Standards Board Standard No. 1]

Management is responsible for preparing the Company's financial statements. The Company's outside auditors are responsible for auditing the financial statements. The activities of the Audit committee are in no way designed to supersede or alter these traditional responsibilities.

Internal Controls

The Audit Committee shall evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal controls.

In consultation with management and its outside auditors, the Audit Committee shall consider the Company's significant financial risk exposures and the steps management has taken to monitor, control and report such exposures.

The Audit Committee shall focus on the extent to which its internal designees and outside auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.

The Audit Committee shall consider the extent to which internal control recommendations made by outside auditors have been implemented by management.

The Audit Committee shall request that management and its outside auditors keep the Audit Committee informed about fraud, illegal acts and deficiencies in internal controls that come to their attention and such other matters as either management or the outside auditors conclude should be brought to the attention of the Audit Committee.

Financial Reporting

General

The Audit Committee shall review with management and the outside auditors significant accounting and reporting issues applicable to the Company, including recent professional and regulatory pronouncements, and their impact on the financial statements.

Annual Financial Statements

The Audit Committee shall meet with management and the outside auditors to review the annual financial statements and the results of the annual audit prior to the release to the public of the results of operations for each fiscal year. [SEC SK § 306(a)(1)]

The Audit Committee shall obtain explanations from management or from the outside auditors on whether:

- Actual financial results for the year varied significantly from budgeted or projected results.
- Changes in financial ratios and relationships in the annual financial statements are consistent with changes in the Company's operations and financing practices.
- Generally accepted accounting principles have been consistently applied in the annual financial statements.
- There are any actual or proposed changes in accounting or financial reporting practices.
- There are any significant or unusual events or transactions.
- The Company's financial and operating controls are functioning effectively.
- The Company has complied with the terms of any loan or lease agreements.
- The annual financial statements contain adequate and appropriate disclosures.

The Audit Committee shall discuss with management and the outside auditors any significant changes to the Company's accounting principles, the degree of aggressiveness or conservatism of the accounting principles and underlying estimates used in the preparation of the Company's financial statements, and any items required to be communicated by the outside auditors in accordance with Statement of Auditing Standards ("SAS") No. 61. [SEC SK § 306(a)(2) and note 29 to SEC Release 34-42266]

Based on the review and discussions with management and outside auditors contemplated by this Charter, the Audit Committee shall recommend to the Board whether the audited annual financial statements be included in the Company's Form 10-K Annual Report. [SEC SK § 306(b)(4)]

The Audit Committee shall review the Management's Discussion and Analysis and other sections of the Company's Form 10-K Annual Report before its release and consider whether the information is adequate and consistent with members' knowledge about the Company and its operations.

Interim Financial Statements

The Audit Committee shall discuss with management and the outside auditors to review the quarterly or interim financial statements and the results of the auditors' review thereof prior to the release to the public of the results for each quarter (or interim period).

The Audit Committee shall obtain explanations from management or from the outside auditors on whether:

- Actual financial results for the quarter or interim period varied significantly from budgeted or projected results.
- Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Company's operations and financing practices.
- Generally accepted accounting principles have been consistently applied in the quarterly financial statements.
- There are any actual or proposed changes in accounting or financial reporting practices.
- There are any significant or unusual events or transactions.
- The Company's financial and operating controls are functioning effectively.
- The Company has complied with the terms of loan or lease agreements.
- The interim financial statements contain adequate and appropriate disclosures.

Compliance with Laws and Regulations

The Audit Committee shall review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation of and follow-up (including disciplinary action) on any fraudulent acts or accounting irregularities.

The Audit Committee shall periodically obtain updates from management regarding compliance.

The Audit Committee shall be satisfied that regulatory compliance matters have been considered in the preparation of the financial statements.

The Audit Committee shall review the findings of any examinations of the Company by regulatory agencies which have authority over the Company.

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Compliance with Codes of Conduct

The Audit Committee shall evaluate whether management is setting the appropriate tone at the top by communicating the importance of the Company's codes of conduct and the guidelines for acceptable business practices.

The Audit Committee shall review the program for monitoring compliance with the codes of conduct.

Other Responsibilities

The Audit Committee may meet with the outside auditors, management and any employee seeking to meet with the Audit Committee about any matter within its purview in separate executive sessions to discuss any matters that the Committee or these persons believe should be discussed privately.

The Audit Committee shall request that significant findings and recommendations made by management and outside auditors be received and discussed on a timely basis.

The Audit Committee shall review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.

The Audit Committee shall perform other oversight functions as requested by the Board.

Charter Scope

The Audit Committee shall review and reassess the adequacy of this Charter at least annually. [Nasdaq/AMEX 4310(c)(26)(A)]

The Audit Committee shall submit this Charter to the Board for approval, and have the Charter published at least every three years in accordance with the rules of the SEC from time to time in effect. [SEC Schedule 14A Item 7(e)(iv)(A)]

Reporting Responsibilities

The Audit Committee shall regularly update the Board about Audit Committee activities and make appropriate recommendation.

The Audit Committee shall annually prepare a report to stockholders as required by SEC rules for inclusion in the Company's proxy statement. [SEC SK § 306; SEC Schedule 14A Item 7(e)(3)]

Meetings

The Audit Committee shall meet at least quarterly and may meet more frequently as circumstances dictate.

Meetings of the Audit Committee may be in person or by conference call in accordance with the Bylaws of the Company.

Meetings of the Audit Committee shall be held at such time and place, and upon such notice, as the Chairman of the Audit Committee may from time to time determine.

The Chairman of the Audit Committee shall develop the agenda for each meeting and in doing so may consult with management and the outside auditors.

Except as specifically provided in this Charter, the provisions of the Bylaws of the Company, with respect to committees of the Board, shall apply to the Audit Committee.

If an inconsistency arises between this Charter and the provisions of the Bylaws of the Company, the Bylaws of the Company shall rule.

Authority

The Audit Committee shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities and shall have direct access to the outside auditors as well as anyone in the Company.

The Audit Committee shall have the ability to retain, at the Company's expense, such special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

The Audit Committee may from time to time delegate to its Chairman or any of its members the responsibility for any particular matters.

Funding

The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report, to any advisor employed by the Audit Committee and for ordinary administrative expenses of the Audit Committee that are necessary and appropriate in carrying out its duties.

Disclosure of Charter

This Charter will be made available on the Company's Website at www.parkcitygroup.com.