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Monthly Operating Review – November 2019

12 August 2020

# Monthly Operating Review Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

# Executive Summary

## Good News / Positives to Business and Plan:

- Revenue up 17.7% over previous MTD and 16.7% over previous YTD
- ARR up 33.7% over November 2018
- New business acquisition:
  - New: AssureCare for CareCentrix Upsells: Manulife, Myers & Stauffer
- Re-engaged with HMS (upsell) and MFX (prospect) on Java engine feature
- Marketing leads up 111% and sales leads up 59% over November 2018
- Recruited and onboarded IT Manager and CPO
  - Tom Negrette (IT Manager) start date - 12/9
  - Alan Young (CPO) start date - 12/16, transition plan with Rob Levy in progress

## Risks / Challenges to the Business and Plan:

- Unfavorable YTD revenue variance of (\$258k) due to slower than expected subscription bookings in the beginning the year
- Lower Services utilization than expected, partially due to bundled services with new projects









# Executive Summary (Continued)

	Description	Potential Impact	Plan to Address
Risks	▪ Funnel metrics and pipeline not supporting subscription goal	▪ Missed new subscription bookings target	▪ Study funnel metric churn ▪ Increase marketing AdWord dollars ▪ First five minutes initiative
	▪ First delivery of web-based authoring	▪ More and more customers are asking for feature. Could lead to lost opportunities	▪ Defining requirements for MVP release ▪ Getting new CPO engaged with potential outsourcing effort
	▪ Scaling Sales and Marketing per plan	▪ Establishing enough opportunities in early 2020 to achieve goals	▪ Actively recruiting for SDR ▪ Actively recruiting for channel manager
Opportunities	▪ Reengagement with Java engine opportunities	▪ New market penetration and better positioning in Fin Serv vertical; big data potential.	▪ Testing with HMS and MFX
	• ~\$750K of solid pipeline for Q4	▪ Significant new ARR ▪ Good growth in new logos	▪ Deep into legal process ▪ Driving sales team to push deals to close before EOY
	▪ Growing interest in SaaS conversion from customer base	▪ More conversion to ARR	▪ SaaS Whitepaper and Marketing campaign ▪ Investigating SaaS Security Certifications



# Product Sales Metrics – License Type & Channel

Wins		Key Losses/Delays	
<ul style="list-style-type: none"><li>New: AssureCare for CareCentrix</li><li>Upsells: Manulife, Myers &amp; Stauffer</li></ul>		<ul style="list-style-type: none"><li>Hilcorp - \$55k<ul style="list-style-type: none"><li>Lost to Decisions. Hilcorp already a Decisions customer via their ERP system</li></ul></li></ul>	
Upcoming Pipeline			
Potential Customer	LFR	ARR	Industry (Account) (Account) Revenue Subclass
FIDELITY INTERNATIONAL		\$154,174	Financial Services - Other Initial/New Project
American Airlines		\$151,578	Logistics and Transportation Initial/New Project
DXC HLS - WISCONSIN		\$122,000	Information Technology and Services Initial/New Project
ADECCO GROUP		\$106,800	Professional Services Initial/New Project
CONDUENT (FORMERLY XEROX SERVICES)		\$104,000	Information Technology and Services Additional Project
CANCER TREATMENT CENTERS OF AMERICA GLOBAL, INC.		\$90,000	Healthcare - Provider Initial/New Project
STIHL INC		\$73,548	Manufacturing Initial/New Project

# 2019 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Restructure the product machine organization		<ul style="list-style-type: none"> <li>• Hired CPO</li> <li>• Reorg in process</li> </ul>	<ul style="list-style-type: none"> <li>• Project completed</li> </ul>	<ul style="list-style-type: none"> <li>• Project completed</li> </ul>
Deliver decision services		<ul style="list-style-type: none"> <li>• Conducted internal training for sales and services</li> <li>• Released InRule 5.5.0</li> </ul>	<ul style="list-style-type: none"> <li>• Project completed</li> </ul>	<ul style="list-style-type: none"> <li>• Project completed</li> </ul>
Deliver embedded authoring services		<ul style="list-style-type: none"> <li>• Identified remaining issues/bugs for resolution</li> </ul>	<ul style="list-style-type: none"> <li>• Address punch list of remaining items</li> </ul>	<ul style="list-style-type: none"> <li>• One or more issues require more time than anticipated</li> </ul>
Develop integrations team strategy and roadmap		<ul style="list-style-type: none"> <li>• Successful Dynamics portal POC with American Airlines</li> <li>• Hardened Salesforce integration with Lightning component</li> <li>• Optimized Dynamics data loading</li> </ul>	<ul style="list-style-type: none"> <li>• Market penetration strategy for Salesforce</li> <li>• PowerPlatform integration plan</li> </ul>	<ul style="list-style-type: none"> <li>• Heavy services demand in Q4 may delay progress</li> </ul>
 Complete  On-Schedule  At Risk  Behind				

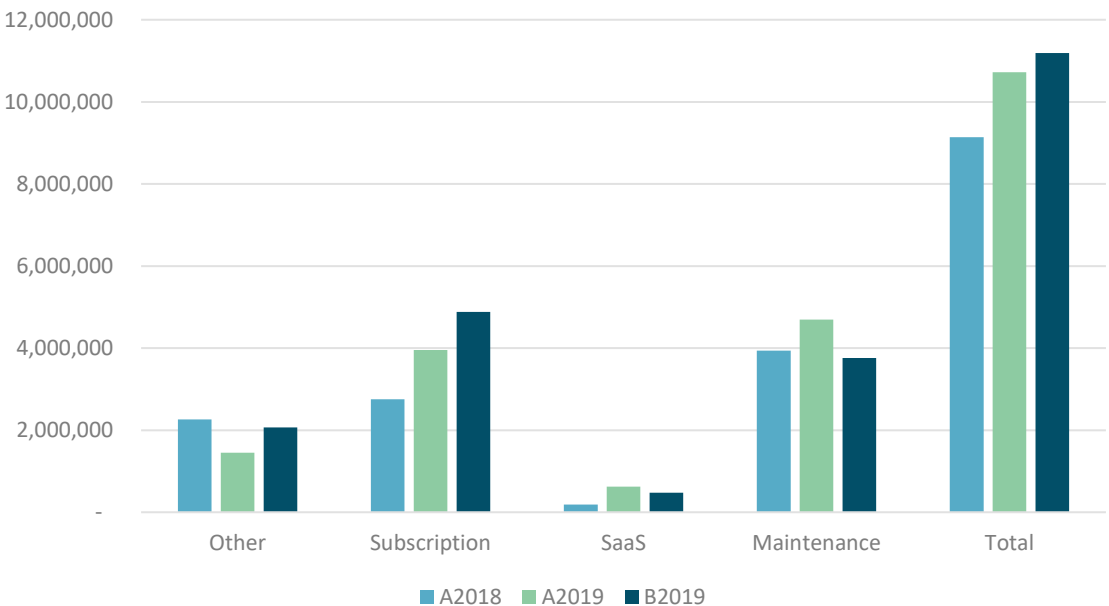
# 2019 Key Initiatives (Continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Select new ERP system		<ul style="list-style-type: none"><li>• Demo of Netsuite with Keystone</li><li>• Review of CRM system with BTPartners (Intaact)</li></ul>	<ul style="list-style-type: none"><li>• Get demo from Intaact</li><li>• Get initial quote from Keystone</li></ul>	<ul style="list-style-type: none"><li>• Financial reporting continues to be a drag on productivity</li></ul>
Develop recruiting strategy to fill key open positions		<ul style="list-style-type: none"><li>• SDR started on 12/2</li><li>• IT Manager-started on 12/9</li><li>• CPO started on 12/16</li></ul>	<ul style="list-style-type: none"><li>• Onboard SDR</li><li>• Onboard IT Manger</li><li>• Onboard CPO and develop 90 plan</li><li>• Hiring plan for SDR and Channel Manager</li></ul>	<ul style="list-style-type: none"><li>• Early 2020 pipeline</li></ul>

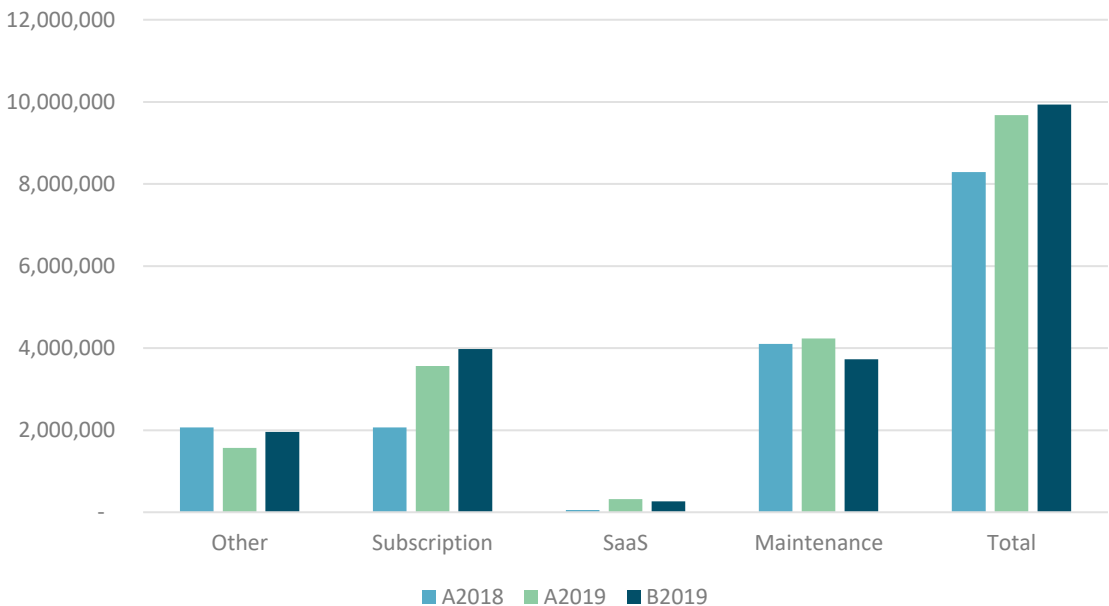
 Complete    On-Schedule    At Risk    Behind

# Product Sales Metrics - YTD 2019

Bookings by Product YTD-2019



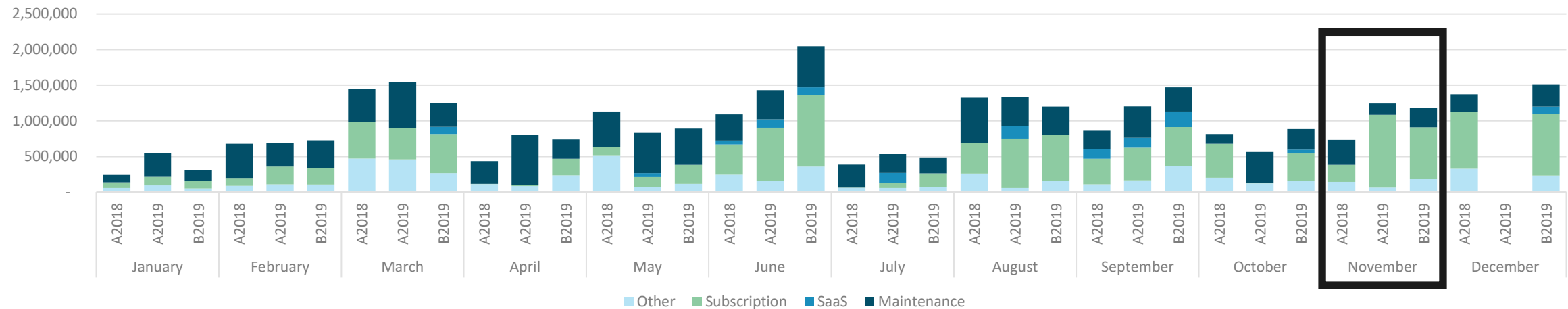
Revenue by Product YTD-2019



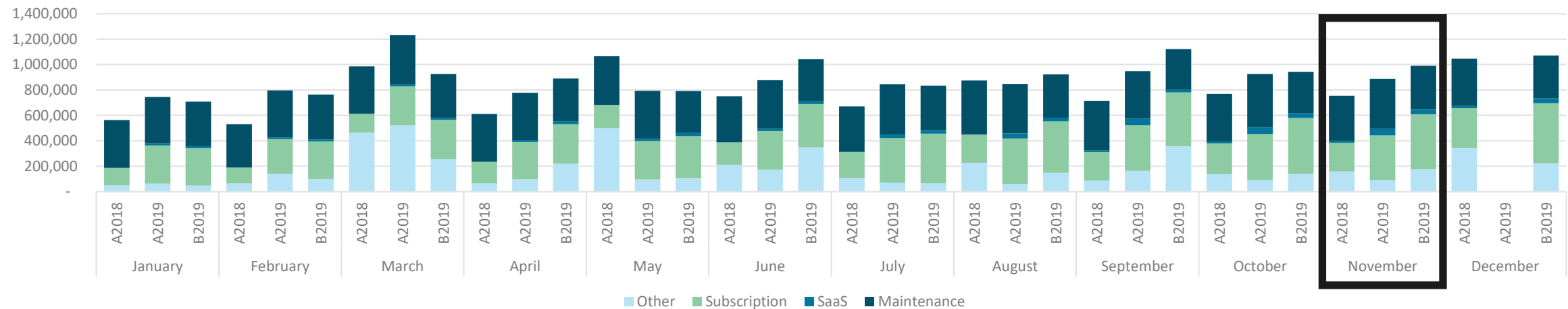


# Product Sales Metrics – Monthly Trend

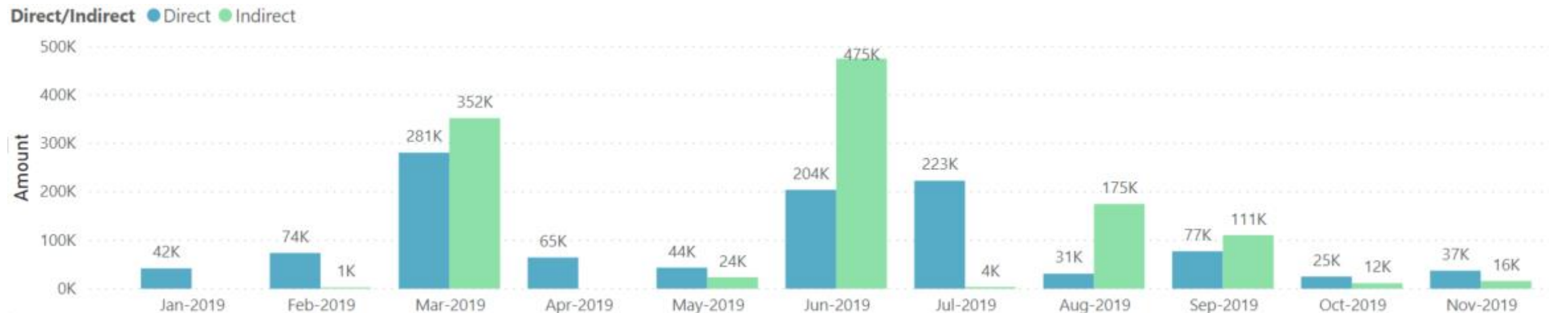
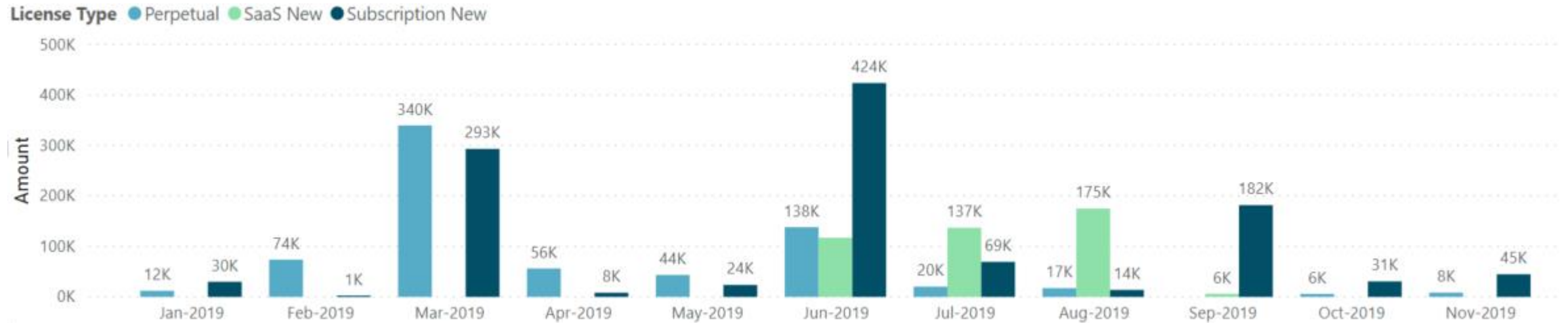
Monthly Bookings Trend (2018-2019)



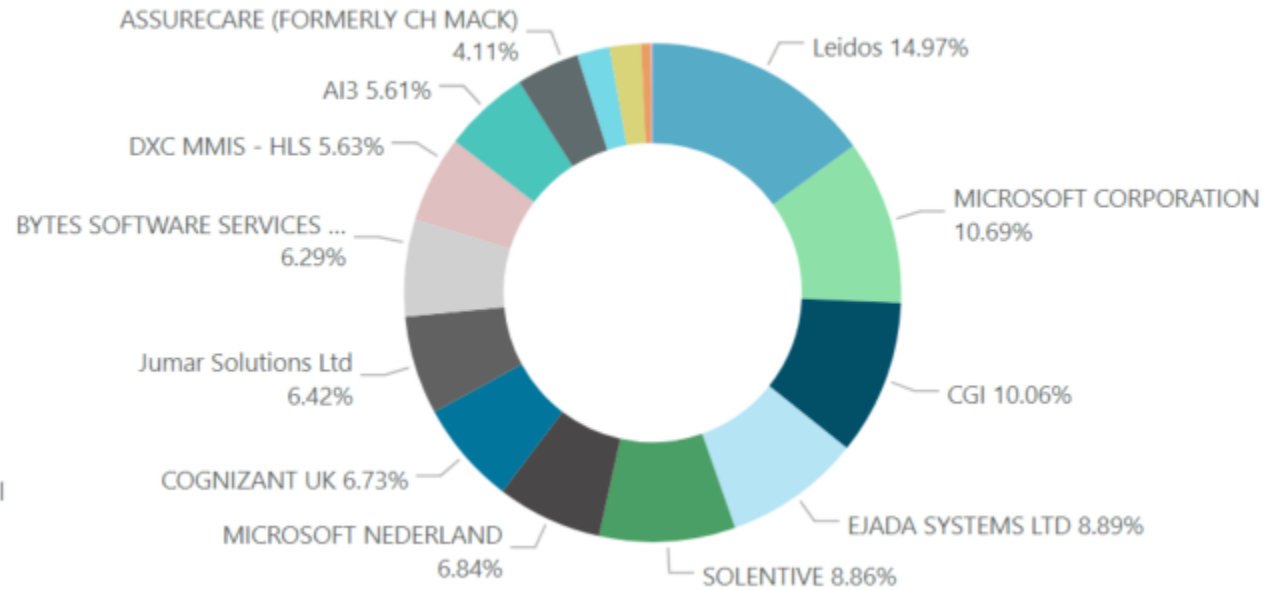
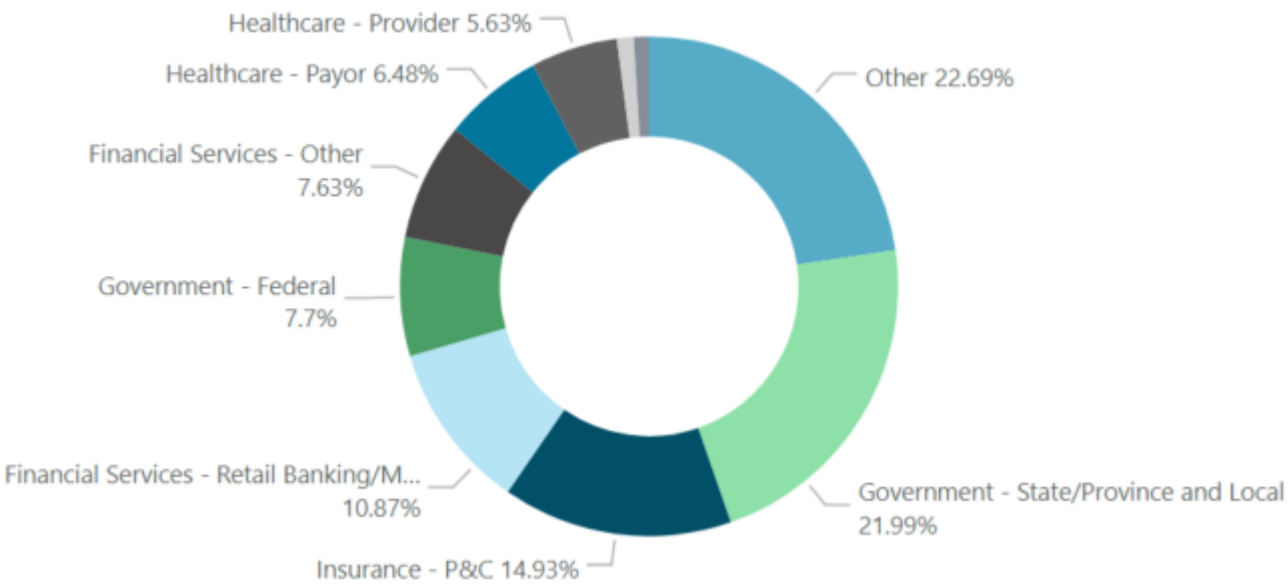
Monthly Revenue Trend (2018-2019)



# Product Sales Metrics – License Type & Channel

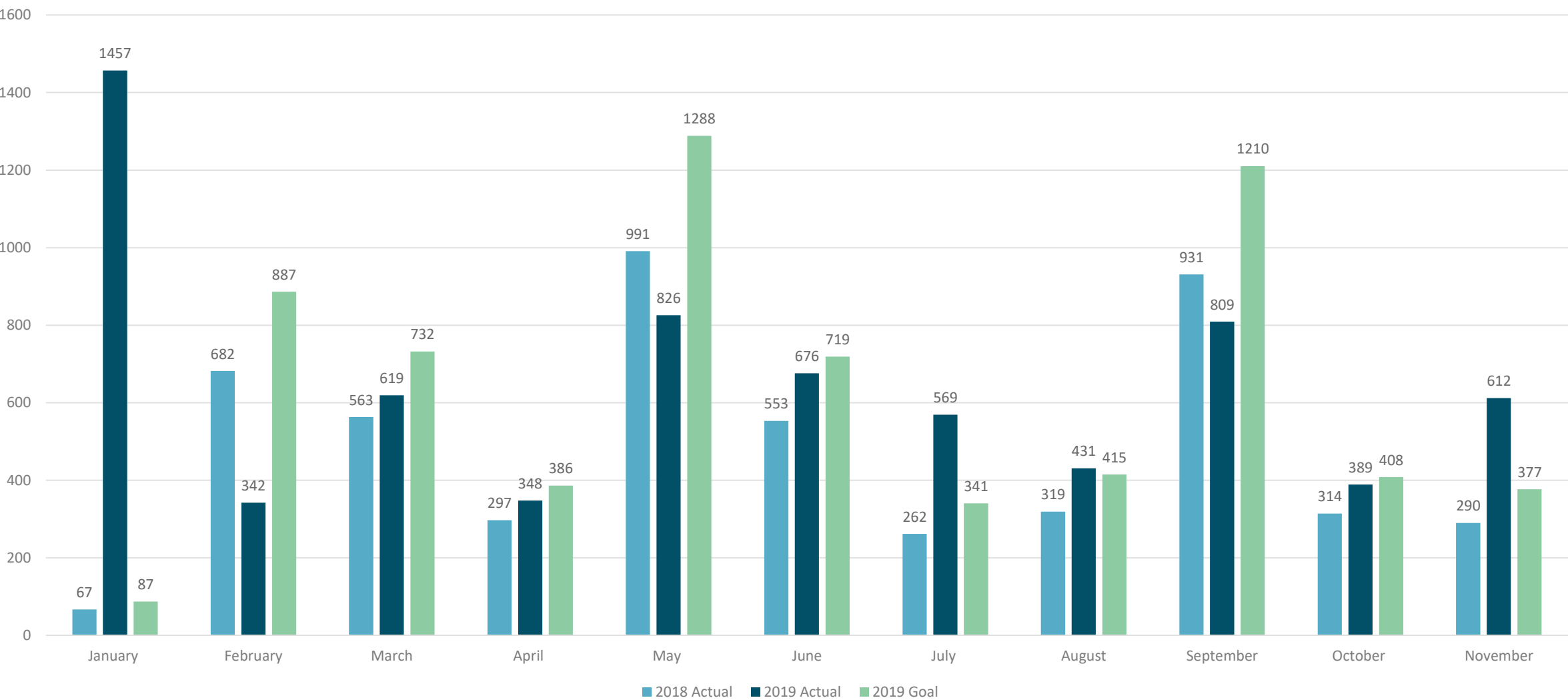


# Product Sales Metrics – Vertical and Channel

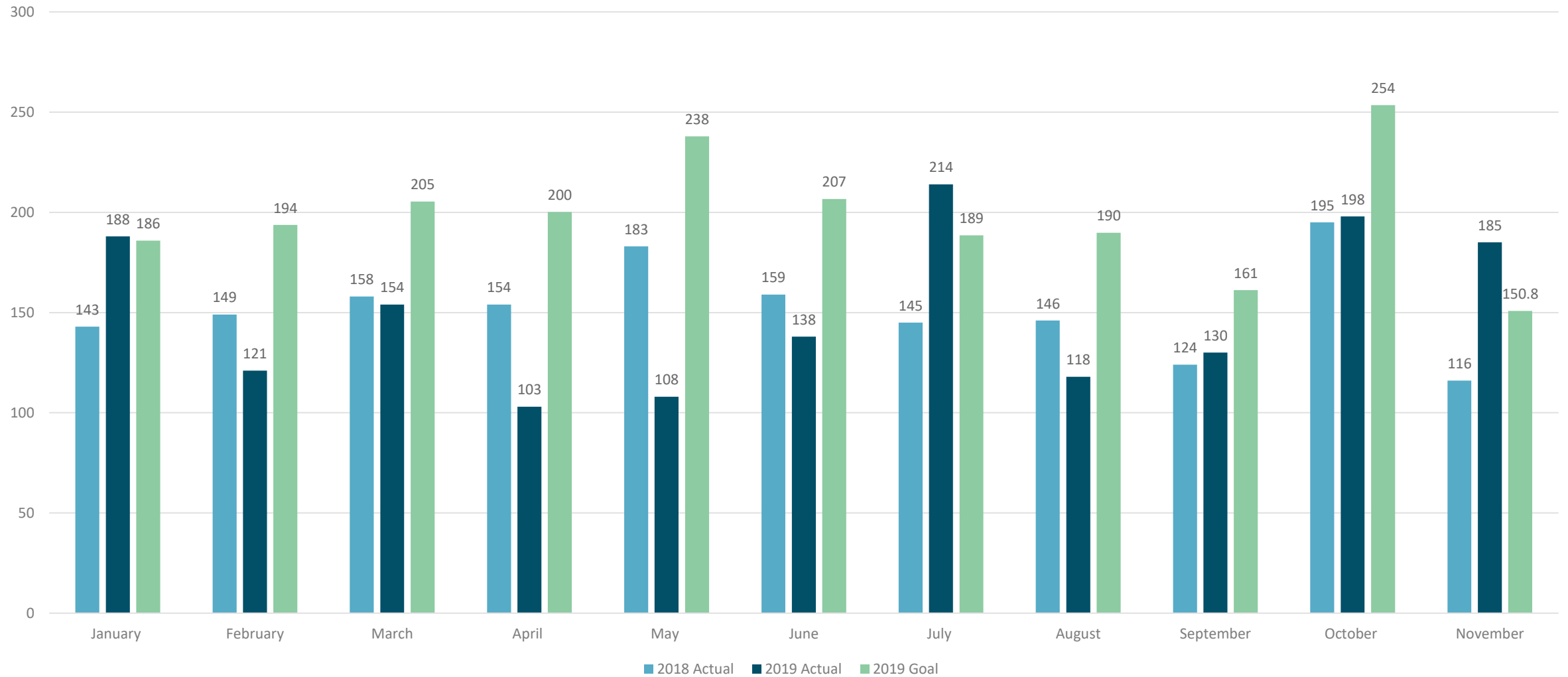


January 2019 – November 2019

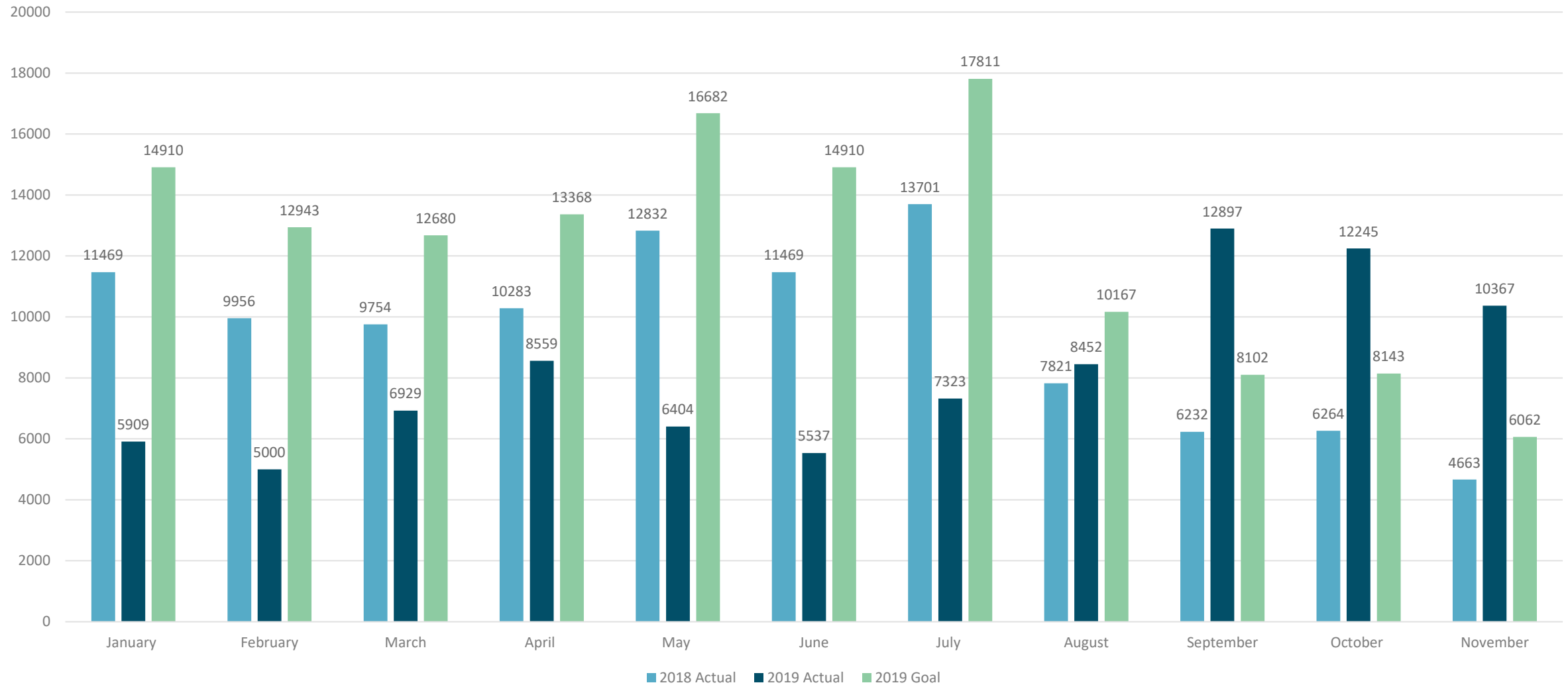
# Marketing Leads



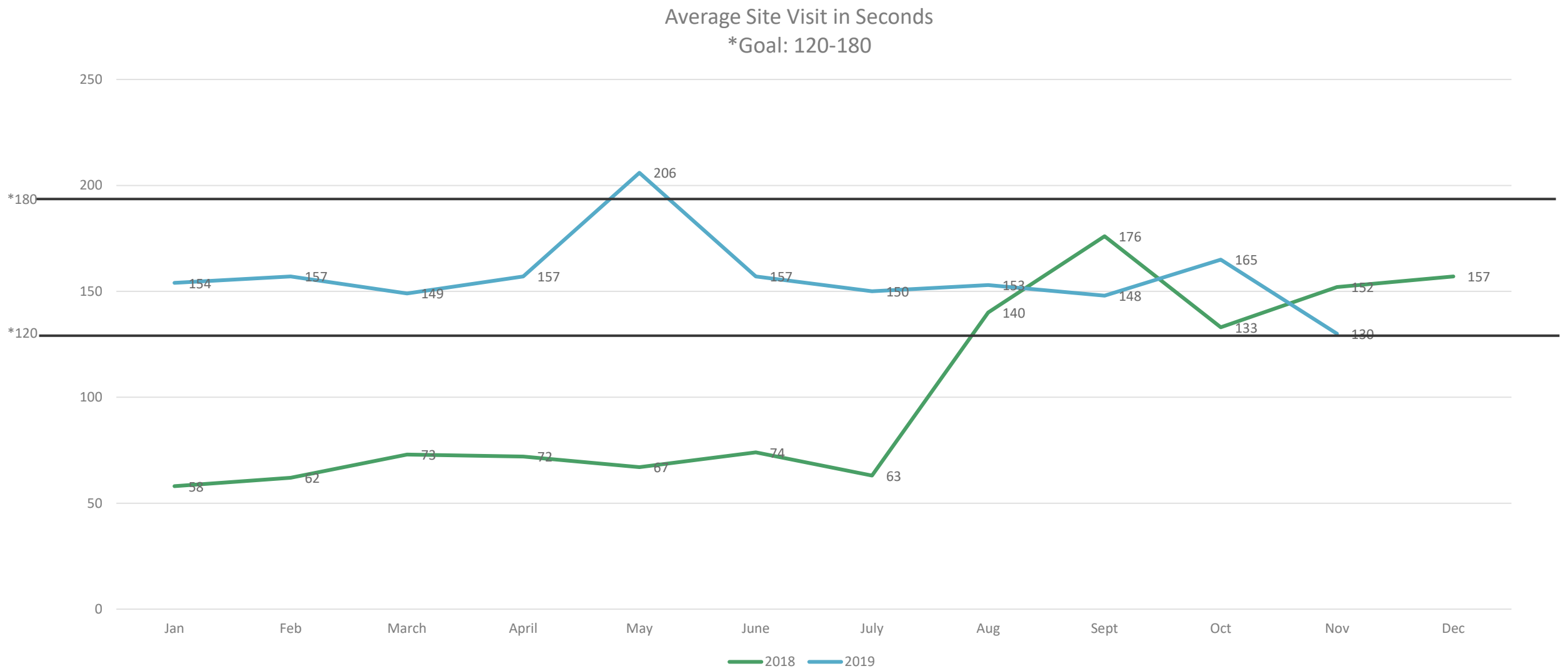
# Sales Leads



# Website Visitors



# Website Visit Duration



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# Summary P&L through November 2019

\$000's	Summary P&L MTD Nov-19								Summary P&L YTD Nov-19							
	MTD		Variance		PY MTD		Variance		YTD		Variance		PY YTD		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$	%	
<b>Net Revenue</b>	<b>\$886</b>	<b>\$990</b>	<b>(\$104)</b>	<b>(10.5%)</b>	<b>\$753</b>	<b>\$133</b>	<b>17.7%</b>		<b>\$9,675</b>	<b>\$9,934</b>	<b>(\$258)</b>	<b>(2.6%)</b>	<b>\$8,289</b>	<b>\$1,387</b>	<b>16.7%</b>	
ARR	\$9,552	\$9,759	(\$207)	(2.1%)	\$7,145	\$2,407	33.7%		\$9,552	\$9,759	(\$207)	(2.1%)	\$7,145	\$2,407	33.7%	
Material	-								-							
Labor	134	143	9	6.5%	148	14	10.2%		1,540	1,603	63	4.1%	1,529	(11)	(0.7%)	
Other COGS	17	6	(11)	(65.1%)	4	(13)	(77.9%)		57	67	11	18.9%	63	6	10.7%	
<b>Total COGS</b>	<b>\$152</b>	<b>\$149</b>	<b>(\$3)</b>	<b>(1.7%)</b>	<b>\$152</b>	<b>\$0</b>	<b>0.2%</b>		<b>\$1,597</b>	<b>\$1,670</b>	<b>\$74</b>	<b>4.6%</b>	<b>\$1,592</b>	<b>(\$5)</b>	<b>(0.3%)</b>	
<b>Gross Margin</b>	<b>\$735</b>	<b>\$841</b>	<b>(\$106)</b>	<b>(12.6%)</b>	<b>\$601</b>	<b>\$133</b>	<b>22.2%</b>		<b>\$8,079</b>	<b>\$8,263</b>	<b>(\$184)</b>	<b>(2.2%)</b>	<b>\$6,697</b>	<b>\$1,382</b>	<b>20.6%</b>	
Gross Margin %	82.9%	84.9%		(2.0%)	79.8%		3.1%		83.5%	83.2%		0.3%	80.8%		2.7%	
R&D	295	287	(8)	(2.6%)	311	16	5.5%		3,236	3,190	(46)	(1.4%)	3,353	117	3.6%	
Sales & Marketing	223	245	22	9.9%	221	(2)	(0.9%)		2,688	2,986	298	11.1%	2,981	293	10.9%	
Administrative	196	181	(15)	(7.7%)	113	(83)	(42.2%)		1,816	1,939	123	6.8%	1,419	(397)	(21.9%)	
<b>Total OPEX (excl D&amp;A)</b>	<b>\$715</b>	<b>\$714</b>	<b>(\$1)</b>	<b>(0.1%)</b>	<b>\$646</b>	<b>(\$69)</b>	<b>(9.6%)</b>		<b>\$7,740</b>	<b>\$8,115</b>	<b>\$375</b>	<b>4.8%</b>	<b>\$7,753</b>	<b>\$13</b>	<b>0.2%</b>	
Total OPEX (excl D&A) %	80.6%	72.1%		(8.5%)	85.7%		5.1%		80.0%	81.7%		1.7%	93.5%		13.5%	
Net Income (Loss)	(\$27)	\$84	(\$111)	(132.5%)	(\$35)	\$35	100.0%		(\$40)	(\$190)	\$151	79.2%	(\$1,026)	\$1,026	100.0%	
<b>Reported EBITDA</b>	<b>\$20</b>	<b>\$127</b>	<b>(\$107)</b>	<b>(84.2%)</b>	<b>(\$44)</b>	<b>\$64</b>	<b>145.0%</b>		<b>\$339</b>	<b>\$149</b>	<b>\$191</b>	<b>128.2%</b>	<b>(\$1,056)</b>	<b>\$1,395</b>	<b>132.1%</b>	
EBITDA Margin %	2.3%	12.8%		(10.6%)	(5.9%)		8.2%		3.5%	1.5%		2.0%	(12.7%)		16.2%	
<b>EBITDA, adjusted</b>	<b>\$76</b>	<b>\$182</b>	<b>(\$106)</b>	<b>(58.2%)</b>	<b>(\$46)</b>	<b>\$122</b>	<b>264.3%</b>		<b>\$709</b>	<b>\$597</b>	<b>\$112</b>	<b>18.7%</b>	<b>(\$1,040)</b>	<b>\$1,749</b>	<b>168.2%</b>	
EBITDA, adjusted %	8.6%	18.4%		(9.8%)	(6.1%)		14.7%		7.3%	6.0%		1.3%	(12.5%)		19.9%	
Change in Deferred Revenue	329				(22)	351	1,611.2%		1,014				795	219	27.6%	
<b>Adjusted Cash EBITDA</b>	<b>\$406</b>				<b>(\$68)</b>	<b>\$474</b>	<b>695.8%</b>		<b>\$1,723</b>				<b>(\$245)</b>	<b>\$1,968</b>	<b>802.6%</b>	
Adj. Cash EBITDA %	45.8%				(9.0%)		54.8%		17.8%				(3.0%)		20.8%	

## Management Discussion

- Revenue:**
  - Lower subscription revenue from new license sales primarily due to:
    - Lower than expected bookings.
    - Timing of contracts also contributing to the shortfall.
    - Downward pressure on initial subscription deal size versus initial perpetual deal size.
  - New subscription license revenue miss offset by:
    - Strong renewals in both maintenance and subscription; 93% vs budgeted 90%
    - 2-6% price increase on most subscription and maintenance renewals (was not contemplated in budget)
    - Improved billing processes around renewals allowing revenue to be recognized earlier
  - No longer selling perpetual licenses resulting in a miss against the budget
  - Services underperforming in created demand for new projects and driving revenue from existing customer base.
- Cost of Goods Sold:**
  - Cost associated with international contractor performing services work has been less than anticipated causing a favorable YTD and MTD variance.
  - YTD travel expense under budget due to reduced discretionary employee travel and prebilled travel expenses for December trip to NN Group. MTD travel is over budget due to timing of employee expenses related to all-company meeting and travel to NN Group in November.
- Operating Expense**
  - R&D - CTO travel higher than anticipated for the month and the year due to the transaction and product machine reorganization as well as the Microsoft engagement. Timing of billing for the outsourced development team and higher than anticipated hosting cost in Engineering is also contributing to the unfavorable YTD variance.
  - S&M – YTD and MTD sales commission under budget due to lower than expected bookings in 2019. Timing of travel and computer software expenses is also contributing to the YTD favorable variance. YTD and MTD unfavorable variance in marketing due to increased spend on Google AdWords, trade shows and additional technology to boost lead generation.
  - G&A – YTD favorable variance due to timing of travel expense, cost savings from outsourcing IT for a portion of the year and lower than anticipated legal expense in 2019. MTD unfavorable variance from expenses related to all-company gathering in November (budgeted in Dec) as well as bad debt expense related to the write-off of 2 invoices in November.

# Balance Sheet

\$000's

	2019 Monthly Balance Sheet										
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
<b>Current Assets</b>											
Cash and cash equivalents	\$ 1,611	\$ 1,696	\$ 1,480	\$ 1,918	\$ 2,252	\$ 2,032	\$ 1,867	\$ 3,150	\$ 3,221	\$ 3,803	\$ 3,599
Accounts receivable, net	1,407	1,112	2,095	1,685	1,317	2,244	2,072	2,532	2,773	1,663	2,101
Prepaid expenses and other current assets	87	127	158	163	108	81	74	104	80	131	129
<b>Total Current Assets</b>	<b>\$ 3,106</b>	<b>\$ 2,936</b>	<b>\$ 3,733</b>	<b>\$ 3,765</b>	<b>\$ 3,678</b>	<b>\$ 4,357</b>	<b>\$ 4,013</b>	<b>\$ 5,786</b>	<b>\$ 6,074</b>	<b>\$ 5,598</b>	<b>\$ 5,829</b>
<b>Non-Current Assets</b>											
Property, plant & equipment, gross	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472
Accumulated depreciation	(237)	(237)	(237)	(237)	(237)	(237)	(237)	(269)	(273)	(277)	(281)
Property, plant & equipment, net	235	235	235	235	235	235	235	203	199	195	191
Deferred tax asset	469	469	469	469	469	469	469	469	469	469	469
Other non-current assets	125	125	125	125	125	125	125	-	-	-	-
<b>Total Non-Current Assets</b>	<b>\$ 828</b>	<b>\$ 828</b>	<b>\$ 828</b>	<b>\$ 828</b>	<b>\$ 828</b>	<b>\$ 828</b>	<b>\$ 828</b>	<b>\$ 671</b>	<b>\$ 667</b>	<b>\$ 663</b>	<b>\$ 659</b>
<b>Total Assets</b>	<b>\$ 3,934</b>	<b>\$ 3,764</b>	<b>\$ 4,562</b>	<b>\$ 4,593</b>	<b>\$ 4,506</b>	<b>\$ 5,185</b>	<b>\$ 4,841</b>	<b>\$ 6,457</b>	<b>\$ 6,741</b>	<b>\$ 6,261</b>	<b>\$ 6,488</b>
<b>Current Liabilities</b>											
Accounts payable	242	171	177	195	115	163	180	207	266	254	188
Accrued liabilities	303	249	362	352	326	467	410	518	502	386	377
Deferred Revenue	5,236	5,122	5,431	5,457	5,502	6,057	5,745	6,230	6,485	6,121	6,451
Other current liabilities	110	110	110	110	110	110	110	115	115	114	114
<b>Total Current Liabilities</b>	<b>\$ 5,891</b>	<b>\$ 5,652</b>	<b>\$ 6,081</b>	<b>\$ 6,115</b>	<b>\$ 6,053</b>	<b>\$ 6,797</b>	<b>\$ 6,445</b>	<b>\$ 7,069</b>	<b>\$ 7,368</b>	<b>\$ 6,875</b>	<b>\$ 7,129</b>
<b>Long-term liabilities</b>											
Long-term debt less current maturities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500
<b>Total Long-Term Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,500</b>	<b>\$ 8,500</b>	<b>\$ 8,500</b>	<b>\$ 8,500</b>
<b>Total Liabilities</b>	<b>\$ 5,891</b>	<b>\$ 5,652</b>	<b>\$ 6,081</b>	<b>\$ 6,115</b>	<b>\$ 6,053</b>	<b>\$ 6,797</b>	<b>\$ 6,445</b>	<b>\$ 15,569</b>	<b>\$ 15,868</b>	<b>\$ 15,375</b>	<b>\$ 15,629</b>
<b>Shareholders' Equity</b>											
Common stock	\$ 2,411	\$ 2,411	\$ 2,411	\$ 2,411	\$ 2,411	\$ 2,419	\$ 2,419	\$ 3,617	\$ 3,617	\$ 3,642	\$ 3,642
APIC	-	-	-	-	-	-	-	(8,500)	(8,500)	(8,500)	(8,500)
Retained earnings	(4,368)	(4,299)	(3,931)	(3,933)	(3,959)	(4,031)	(4,023)	(4,229)	(4,243)	(4,256)	(4,283)
<b>Total Shareholders' Equity</b>	<b>\$ (1,957)</b>	<b>\$ (1,887)</b>	<b>\$ (1,519)</b>	<b>\$ (1,521)</b>	<b>\$ (1,547)</b>	<b>\$ (1,612)</b>	<b>\$ (1,604)</b>	<b>\$ (9,112)</b>	<b>\$ (9,126)</b>	<b>\$ (9,114)</b>	<b>\$ (9,141)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,934</b>	<b>\$ 3,764</b>	<b>\$ 4,562</b>	<b>\$ 4,593</b>	<b>\$ 4,506</b>	<b>\$ 5,185</b>	<b>\$ 4,841</b>	<b>\$ 6,457</b>	<b>\$ 6,741</b>	<b>\$ 6,261</b>	<b>\$ 6,488</b>

## Management Discussion

Impact of transaction not yet reflected. Purchase price entries will be made in conjunction with the opening balance sheet work

# Cash Flow Statement

\$000's	2019 Monthly Cash Flow											
	Jan-19 Actual	Feb-19 Actual	Mar-19 Actual	Apr-19 Actual	May-19 Actual	Jun-19 Actual	Jul-19 Actual	Aug-19 Actual	Sep-19 Actual	Oct-19 Actual	Nov-19 Actual	YTD Nov-19
<b>Cash flow from operations</b>												
Net Income (Loss)	\$ (125)	\$ 69	\$ 368	\$ (2)	\$ (26)	\$ (72)	\$ 8	\$ (206)	\$ (15)	\$ (12)	\$ (27)	\$ (40)
Depreciation, amortization and other	-	-	-	-	-	-	-	32	4	4	4	44
<i>Change in operating assets and liabilities:</i>												
Accounts receivable	870	295	(983)	410	367	(926)	172	(460)	(241)	1,110	(437)	177
Prepaid expenses and other current assets	34	(40)	(31)	(4)	55	27	7	(30)	24	(51)	2	(8)
Accounts payable	85	(71)	7	18	(80)	47	17	27	59	(12)	(66)	30
Accrued expenses	(30)	(54)	114	(11)	(26)	142	(57)	108	(16)	(116)	(9)	44
Other cash flow from operations	(201)	(114)	309	26	45	555	(312)	489	256	(364)	329	1,017
<b>Total Cash Flow from Operations</b>	<b>\$ 632</b>	<b>\$ 85</b>	<b>\$ (216)</b>	<b>\$ 437</b>	<b>\$ 335</b>	<b>\$ (228)</b>	<b>\$ (165)</b>	<b>\$ (41)</b>	<b>\$ 71</b>	<b>\$ 558</b>	<b>\$ (205)</b>	<b>\$ 1,265</b>
<b>Cash flow from investing</b>												
Other cash flow from investing	-	-	-	-	-	-	-	125	-	-	-	125
<b>Total Cash Flow from Investing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 125</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 125</b>
<b>Cash flow from financing</b>												
Common stock issued (repurchased)	-	-	-	-	-	7	-	1,198	-	25	-	1,230
<b>Total Cash Flow from Financing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ 1,198</b>	<b>\$ -</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ 1,230</b>
<b>Net change in cash</b>	<b>\$ 632</b>	<b>\$ 85</b>	<b>\$ (216)</b>	<b>\$ 437</b>	<b>\$ 335</b>	<b>\$ (220)</b>	<b>\$ (165)</b>	<b>\$ 1,283</b>	<b>\$ 71</b>	<b>\$ 582</b>	<b>\$ (205)</b>	<b>\$ 2,620</b>
Beginning cash	979	1,611	1,696	1,480	1,918	2,252	2,032	1,867	3,150	3,221	3,803	979
Change in cash	632	85	(216)	437	335	(220)	(165)	1,283	71	582	(205)	2,620
<b>Ending cash</b>	<b>\$ 1,611</b>	<b>\$ 1,696</b>	<b>\$ 1,480</b>	<b>\$ 1,918</b>	<b>\$ 2,252</b>	<b>\$ 2,032</b>	<b>\$ 1,867</b>	<b>\$ 3,150</b>	<b>\$ 3,221</b>	<b>\$ 3,803</b>	<b>\$ 3,599</b>	<b>\$ 3,599</b>

(1) Consists of deferred revenue and deferred lease incentives. Deferred revenue makes up the vast majority of the cash flow

## Management Discussion

Impact of transaction not yet reflected. Purchase price entries will be made in conjunction with the opening balance sheet work.

# 1X Costs

\$000's	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019 Impact
Stock Compensation Expense	-	-	-	-	-	-	-	110	-	-	-	-	110
Non-recurring integration exp	-	-	-	-	-	-	-	-	-	-	-	-	-
Out of period employee raises	(4)	(8)	41	(8)	(9)	18	1	1	-	-	-	-	32
Charitable Contribution	-	-	-	-	-	-	-	-	-	-	2	-	2
Management Liability Runoff Insurance	-	-	-	-	-	-	-	-	-	-	16	-	16
Opening Balance Sheet Audit	-	-	-	-	-	-	-	-	-	-	3	-	3
Purchase Price Allocation Report	-	-	-	-	-	-	-	-	10	-	9	-	19
Industry Specialist	-	-	-	-	-	-	-	-	49	28	25	6	108
Beckway Consultants	-	-	-	-	-	-	-	-	78	-	-	-	78
Ethics Hotline	-	-	-	-	-	-	-	-	7	-	-	-	7
<b>Total</b>	<b>(4)</b>	<b>(8)</b>	<b>41</b>	<b>(8)</b>	<b>(9)</b>	<b>18</b>	<b>1</b>	<b>111</b>	<b>144</b>	<b>28</b>	<b>56</b>	<b>6</b>	<b>376</b>

## Management Discussion

- Employee Stock Option Compensation expense booked in conjunction with transaction
- Amount associated with deferred compensation from performance reviews being moved from anniversary date to a single company wide date
- Contribution to Feed My Starving Children at all company event
- Management Liability Run Off Insurance purchased in conjunction with transaction
- Fees for Opening Balance Sheet work with Miller Cooper
- Fees for Purchase Price Allocation work with Valuation Research Corporation
- Consulting fees from Rob Levy
- Consulting fees from Beckway Consultants for Core Model and Financial Reporting requirements
- Purchase of Navex Software for Anonymous Ethics Hotline

# Operating Expense Summary

\$000's	OPEX Summary MTD Nov-19							OPEX Summary YTD Nov-19					
	MTD		Variance		PY MTD	Variance		YTD		Variance		PY YTD	Vari
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)	339	357	19	5.5%	362	23	6.9%	4,085	4,146	62	1.5%	4,096	11
Benefits (Medical, Dental, Life, AD&D & 401K)	71	73	1	1.9%	81	10	14.0%	771	797	26	3.3%	875	104
Bonus	3	5	2	68.7%	5	2	67.8%	53	59	6	11.4%	64	10
Marketing	49	27	(22)	(44.8%)	29	(20)	(41.5%)	610	567	(44)	(7.1%)	619	9
Commissions	7	64	57	815.3%	32	25	363.3%	402	651	249	61.9%	424	22
Travel and Entertainment	50	25	(25)	(50.6%)	35	(15)	(29.9%)	232	274	41	17.8%	301	69
Rent and Facilities	30	30	(1)	(3.0%)	28	(2)	(6.8%)	325	317	(9)	(2.7%)	305	(21)
Insurance	22	-	(22)	(100.0%)	-	(22)	(100.0%)	88	65	(23)	(26.4%)	51	(37)
Professional Fees	77	97	21	26.8%	36	(41)	(53.6%)	704	765	61	8.7%	473	(231)
Utilities, Repairs, Maint. & Security	3	3	(0)	(0.3%)	3	0	5.6%	32	32	(0)	(0.2%)	32	(0)
Office Supplies	1	1	0	15.4%	0	(0)	(32.7%)	6	9	3	47.2%	10	4
IT	28	28	0	1.3%	5	(23)	(82.3%)	292	361	68	23.4%	348	55
Bad Debt	19	-	(19)	(100.0%)	-	(19)	(100.0%)	19	-	(19)	(100.0%)	13	(6)
Real Estate Taxes	-	-	-	0.0%	-	-	0.0%	-	-	-	0.0%	-	-
Other Expenses	16	4	(12)	(73.0%)	29	13	81.3%	119	72	(47)	(39.2%)	144	25
Total OPEX	715	\$714	(\$1)	(0.1%)	\$646	(\$69)	(9.6%)	\$7,740	\$8,114	\$375	4.8%	\$7,753	\$13
OPEX % of Revenue	80.6%	72.1%		(8.5%)	85.7%		5.1%	80.0%	81.7%		1.7%	93.5%	

## Management Discussion

- **Payroll**-YTD variance caused by IT Manager position being outsourced since April, vacancy in SE position for several months and services from international contractor (services group) being less than anticipated
- **Benefits**-YTD variance related to open positions
- **Marketing**-Increased marketing spend in H2 for Google AdWords, trade shows and additional technology to boost lead generation.
- **Commission**-YTD variance in line with bookings being lower than expected
- **Travel**-Limited travel in H1 to conserve cash, some favorable variance due to timing of exp report submissions. In addition, travel expense for NN Group invoiced upfront with consulting services. Will be offset by actual expense incurred in Nov & Dec.
- **Rent**-YTD variance caused by 2019 real estate tax assessment that was not budgeted and timing of deferred rent entries
- **Insurance**-Unfavorable variance due to management liability run-off policy. In addition, the refund for the old general liability and E&O policies has not been received yet.
- **Professional Fees**-Decrease in legal fees in 2019 is creating the favorable variance
- **IT**-YTD favorable variance due to decrease in Azure hosting cost in 2019. Timing of laptop and software purchases is also causing a favorable variance which is expected to decrease by year-end
- **Bad Debt**-Unfavorable variance due write-off of La Positiva (\$7K annual maintenance renewal) and ServiceLink (\$40K new licenses booked in error in June)
- **Other Expenses**-Unfavorable variance due to prior period TX sales tax not billed to customers and registered agent fees and state registration charges with CSC that were not budgeted. Timing of all-company gathering is also contributing

# Monthly Operating Plan Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

# Management Governance Report

## Board of Directors

- Rik Chomko
- Loren Goodman
- Rob Young
- Paul Bridwell
- Shahram Haghighi

## 2019 Year End Auditors

- Miller Cooper & Co., Ltd.

## Anonymous Hotline

- Navex implementation in process

## Internal Control & Authority Matrix

- Complete-adopted 9/25/19

## Management Governance Report (Continued)

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	Miller Cooper has identified a lack of segregation of duties. Currently being addressed with addition of Accounting Manager
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None



# Monthly Operating Plan Agenda

- Executive Summary
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# Full Year P&L Forecast

\$000's	Full Year Forecast (YTD Nov-19 actual + remaining budget)						
	FY		Variance		PY	Variance	
	Act	Bud	\$	%	Act	\$	%
<b>Net Revenue</b>	<b>\$10,746</b>	<b>\$11,004</b>	<b>(\$258)</b>	<b>(2.3%)</b>	<b>\$9,336</b>	<b>\$1,410</b>	<b>15.1%</b>
ARR	\$9,552	\$9,759	(\$207)	(2.1%)	\$7,145	\$2,407	33.7%
Material	-						
Labor	1,694	1,757	63	3.7%	1,671	(24)	(1.4%)
Other COGS	63	74	11	17.0%	70	7	11.2%
<b>Total COGS</b>	<b>\$1,757</b>	<b>\$1,831</b>	<b>\$74</b>	<b>4.2%</b>	<b>\$1,741</b>	<b>(\$16)</b>	<b>(0.9%)</b>
<b>Gross Margin</b>	<b>\$8,988</b>	<b>\$9,173</b>	<b>(\$184)</b>	<b>(2.0%)</b>	<b>\$7,595</b>	<b>\$1,394</b>	<b>18.3%</b>
Gross Margin %	83.6%	83.4%		0.3%	81.4%		2.3%
R&D	3,568	3,521	(46)	(1.3%)	3,692	125	3.5%
Sales & Marketing	2,979	3,278	298	10.0%	3,337	357	12.0%
Administrative	2,021	2,144	123	6.1%	1,700	(321)	(15.9%)
<b>Total OPEX (excl D&amp;A)</b>	<b>\$8,568</b>	<b>\$8,943</b>	<b>\$375</b>	<b>4.4%</b>	<b>\$8,729</b>	<b>\$161</b>	<b>1.9%</b>
Total OPEX (excl D&A) %	79.7%	81.3%		1.5%	93.5%		13.8%
Net Income (Loss)	(\$96)	(\$247)	\$151	61.1%	(\$977)	\$977	100.0%
<b>Reported EBITDA</b>	<b>\$421</b>	<b>\$230</b>	<b>\$191</b>	<b>82.7%</b>	<b>(\$1,134)</b>	<b>\$1,555</b>	<b>137.1%</b>
EBITDA Margin %	3.9%	2.1%		1.8%	(12.1%)		14.0%
<b>EBITDA, adjusted</b>	<b>\$797</b>	<b>\$685</b>	<b>\$112</b>	<b>16.3%</b>	<b>(\$1,073)</b>	<b>\$1,870</b>	<b>174.3%</b>
EBITDA, adjusted %	7.4%	6.2%		1.2%	(11.5%)		12.7%

# AR & AP Aging

A/R Aging					
Age	Sep-19		Oct-19		Nov-19
0-30	\$	1,923	\$	1,284	\$ 1,563
30-60		428		129	329
60-90		203		104	95
>90		218		146	114
Gross A/R	\$	2,773	\$	1,663	\$ 2,101
Reserve		-		-	-
Net A/R	\$	2,773	\$	1,663	\$ 2,101

A/P Aging					
Age	Sep-19		Oct-19		Nov-19
0-30	\$	238	\$	249	\$ 180
30-60		28		-	2
60-90		-		5	-
>90		-		-	5
Total A/P	\$	266	\$	254	\$ 188

# Headcount by Month

Headcount (2018-2019)

