

inrule

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Monthly Operating Plan-August 2019-REVISED

12 August 2020

Monthly Operating Plan Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

Executive Summary

Hits

- Signed agreement with OpenGate Capital to recapitalize the company and help fund future growth
- Higher than expected demand and bookings of SaaS licenses
- Strong bookings of \$1.3M compared to target of \$1.2M
- YTD bookings on target
- Average website visit duration up by 300%
- In the last quarter we have added 4 new customers to our Top 15 Annual Revenue Customers list (Leidos, State of Washington, Province of British Columbia, Tokio Marine)

Misses

- Subscription bookings below target
- Marketing leads not converting to sales leads at historical conversion rate
- Slow pace of delivery of new product features





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
	▪ Ability to add new headcount in a timely manner	▪ Initiative execution will move slower than estimated	▪ Finalize staffing needs for next six months ▪ Develop recruiting strategy
Opportunities	• Microsoft Service Hub prospect	▪ First internal win at Microsoft ▪ Opportunity to build foundational framework for Microsoft recommendation engine ▪ AI/ML integration	▪ CTO and Solution Architect to make onsite visit to kickoff project
	▪ Java engine performance testing at new customers	▪ Possible larger enterprise upsells at existing customers	▪ Work with key contacts at customer to "beta" test ▪ Assign engineering resource to make minor enhancements

Product Sales Metrics – License Type & Channel



Wins	Key Losses/Delays	
<ul style="list-style-type: none">Frederick National Lab for Cancer Research - \$175k, SaaS<ul style="list-style-type: none">Use case: Cancer Research and Clinical Trials – match patients with best treatment optionPartnered with Leidos (additional partnering opportunity in future)	<ul style="list-style-type: none">Anthem (\$190,000)<ul style="list-style-type: none">RFP Loss – responded with Accenture/Avanade and MicrosoftIBM team wonMcKesson (\$100,000)<ul style="list-style-type: none">Salesforce / InRule Opportunity. The program was cancelled.	
Upcoming Pipeline		
Potential Customer	Est. Close Date	Est. Revenue
MICROSOFT CORPORATION	9/26/2019	\$24,000.00
NN GROUP N.V.	9/26/2019	\$95,610.00
HUDSON INSURANCE GROUP	9/26/2019	\$17,395.00
ADECCO GROUP	9/29/2019	\$90,000.00
ASSURECARE (FORMERLY CH MACK)	9/30/2019	\$28,875.00
ASSURECARE (FORMERLY CH MACK)	9/30/2019	\$28,875.00

2019 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Restructure the product machine organization		<ul style="list-style-type: none"> • Rob Levy conducting interviews with product leadership to assess issues and potential needs • Loren defining operational goals, functional flow and organizational structure 	<ul style="list-style-type: none"> • Deliver proposed organization structure • Develop plan to fill open roles 	<ul style="list-style-type: none"> • Loren may get pulled to do kickoff and initial project discovery work for Microsoft SOW
Deliver decision services		<ul style="list-style-type: none"> • Foundational services complete • MVP requirements finalized 	<ul style="list-style-type: none"> • Estimation of milestone • Development of known components 	<ul style="list-style-type: none"> • Resources may be pulled to modify Java offering
Deliver centralized authentication capability		<ul style="list-style-type: none"> • On-premise solution complete 	<ul style="list-style-type: none"> • Adding solution to SaaS customer instances 	<ul style="list-style-type: none"> • Resource constraints
Develop integrations team strategy and roadmap		<ul style="list-style-type: none"> • Released for performance optimization 	<ul style="list-style-type: none"> • App source-certification • InRule SaaS trial provision • Batch processing • Market penetration strategy for Salesforce 	<ul style="list-style-type: none"> • Microsoft partnership agreement

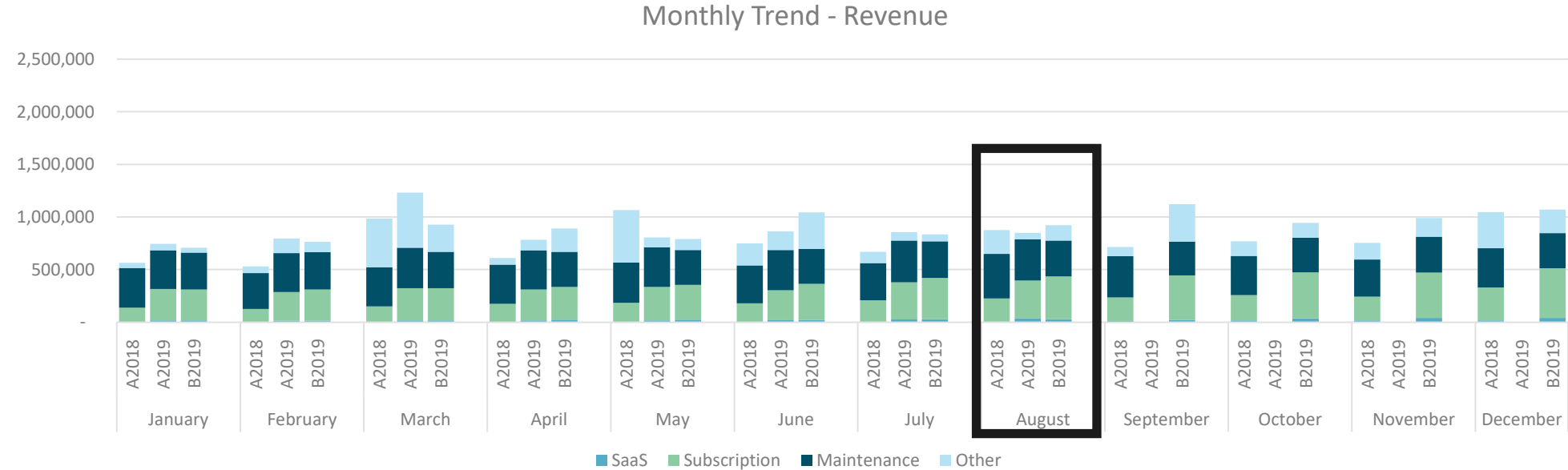
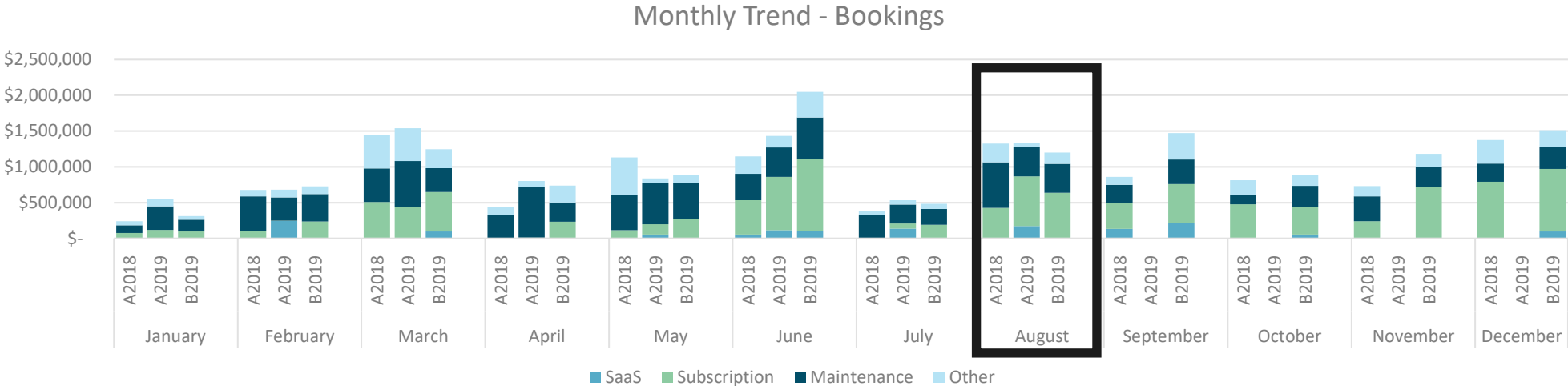
 Complete
  On-Schedule
  At Risk
  Behind

2019 Key Initiatives (Continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Develop services strategy		<ul style="list-style-type: none">• Developed bundled services approach• Presented bundled services to all customer onboardings in August	<ul style="list-style-type: none">• Establish backoffice reporting, utilization, and metrics tracking	<ul style="list-style-type: none">• Utilization reporting and metrics tracking may be redundant with ERP system functionality
Develop recruiting strategy to fill key open positions		<ul style="list-style-type: none">• Head Architect-defining roles and responsibilities• Sales Engineer-interviewing• IT Manager-defining roles and responsibilities• Accounting Manager contracted with a recruiter, job is posted on several sites	<ul style="list-style-type: none">• Head Architect-Determine next steps to fill role (internal or external)• Sales Engineer-Select candidate and extend an offer• IT Manager-Engage recruiter to fill position• Accounting Manager-recruiter to screen resumes and conduct phone interviews	<ul style="list-style-type: none">• Lengthening sale cycle• Accurate and timely submission of financial reporting requirements

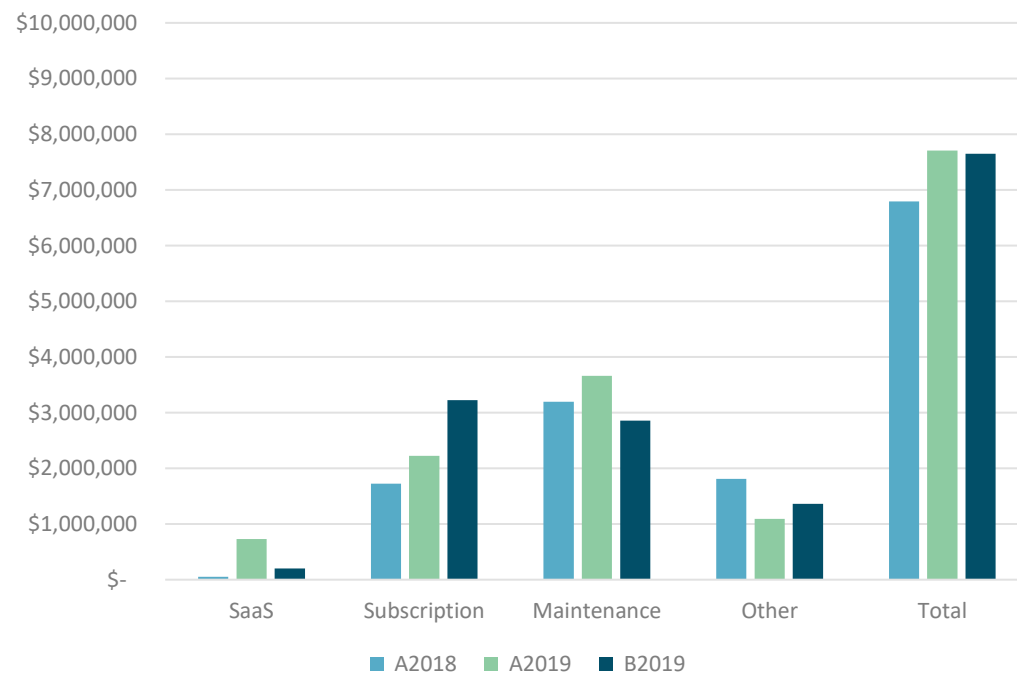
 Complete  On-Schedule  At Risk  Behind

Product Sales Metrics – Monthly Trend

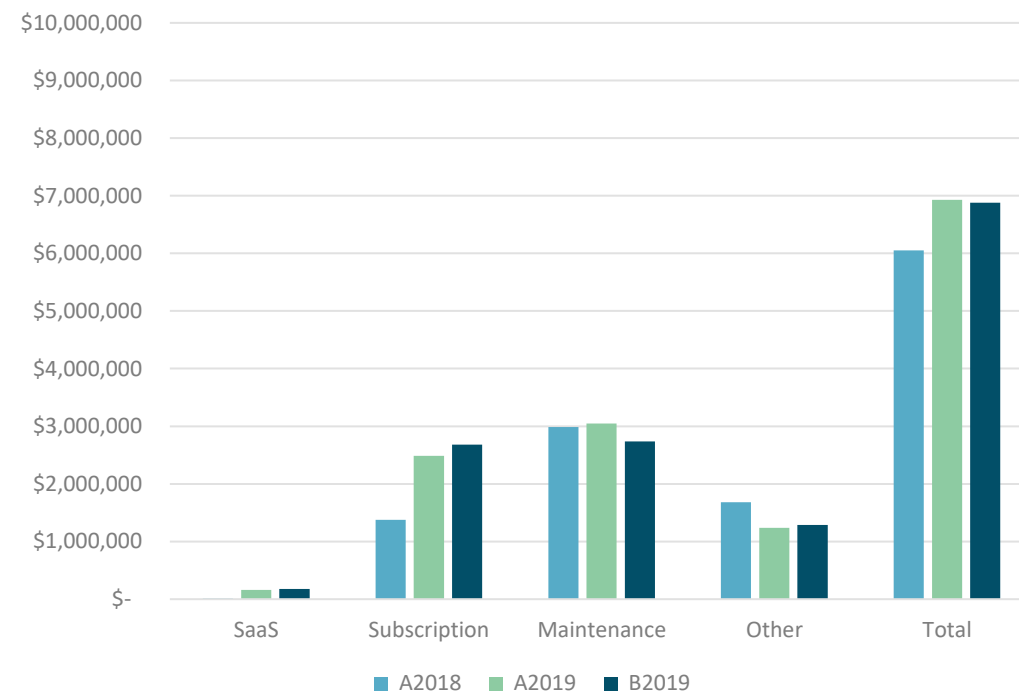


Product Sales Metrics - YTD 2019

Bookings by Product

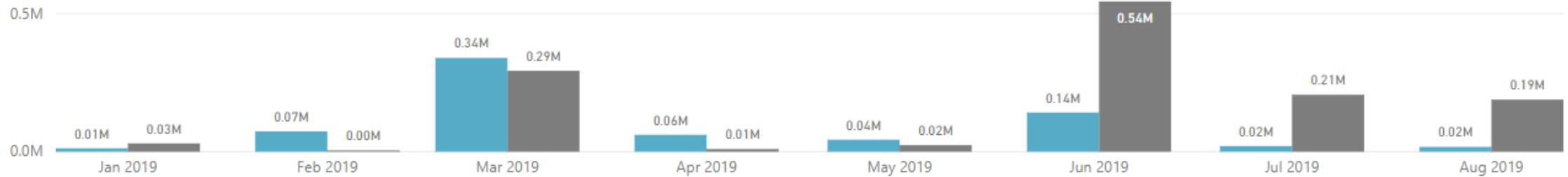


Revenue by Product

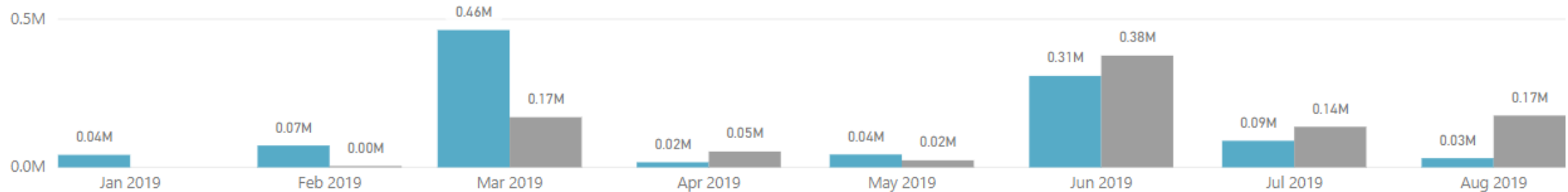


Product Sales Metrics – License Type & Channel

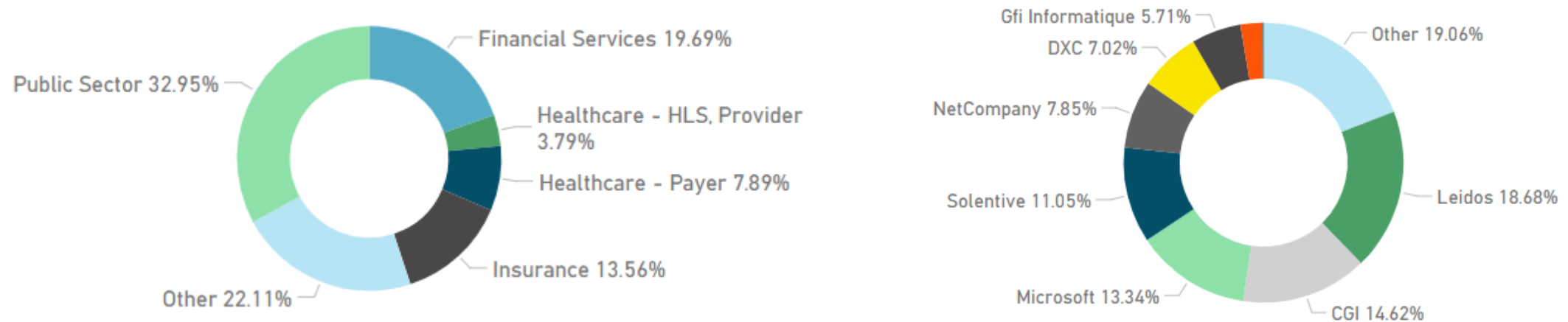
License Type ● Perpetual ● Subscription New



Partner ● Direct ● Partner

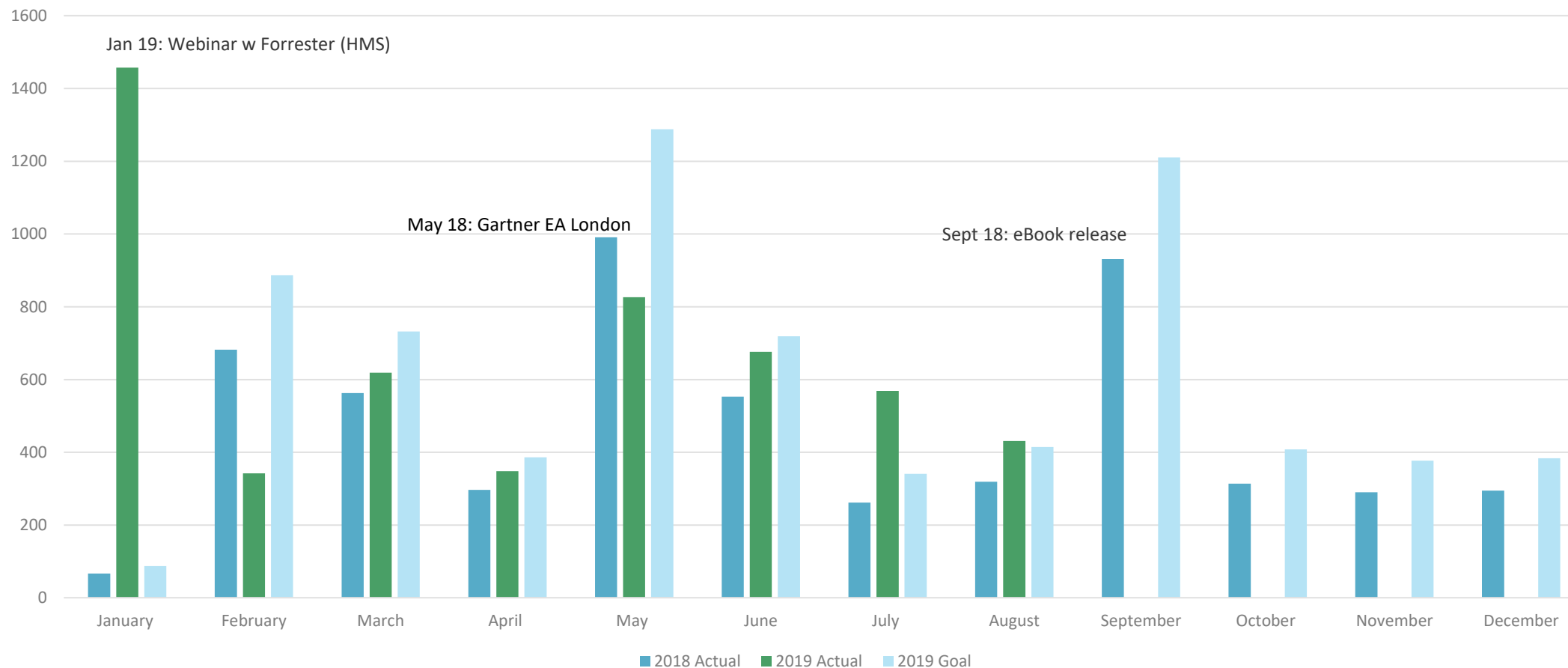


Product Sales Metrics – Vertical and Channel

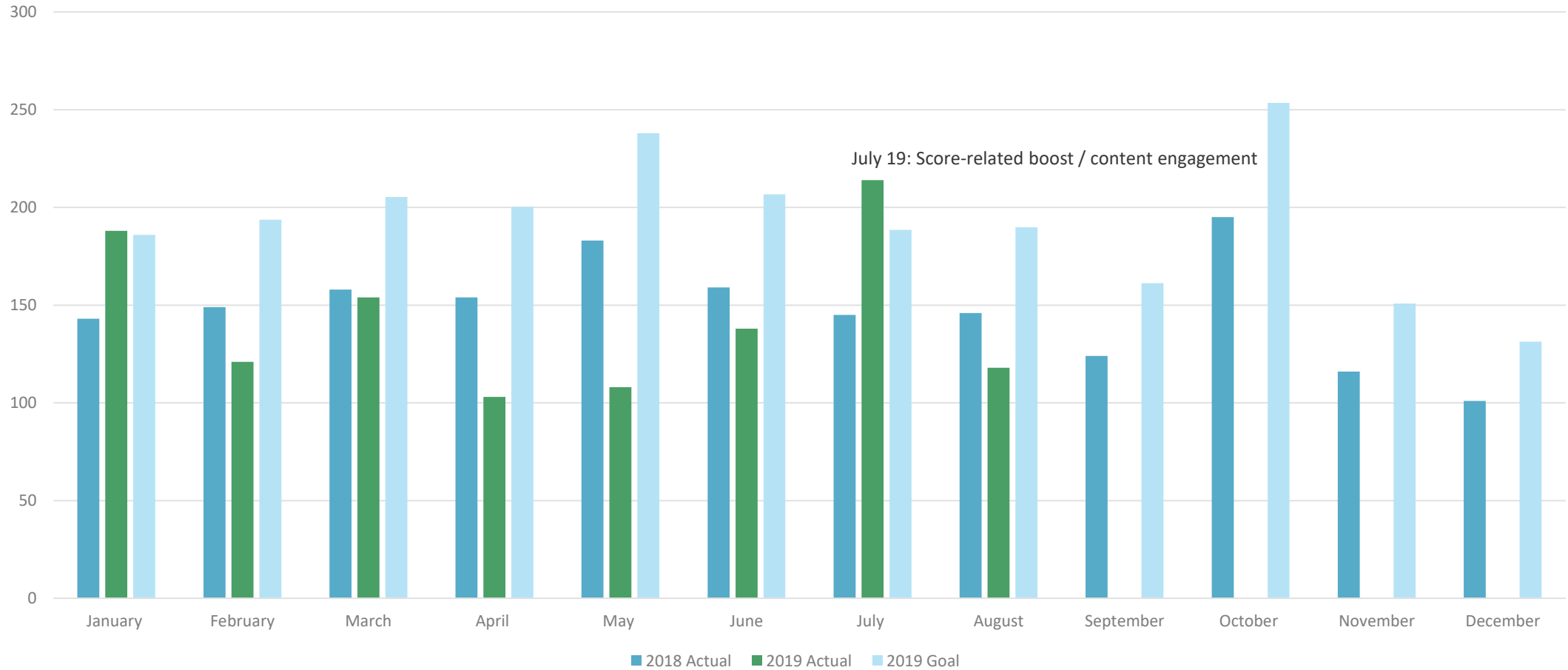


January 2019 – August 2019

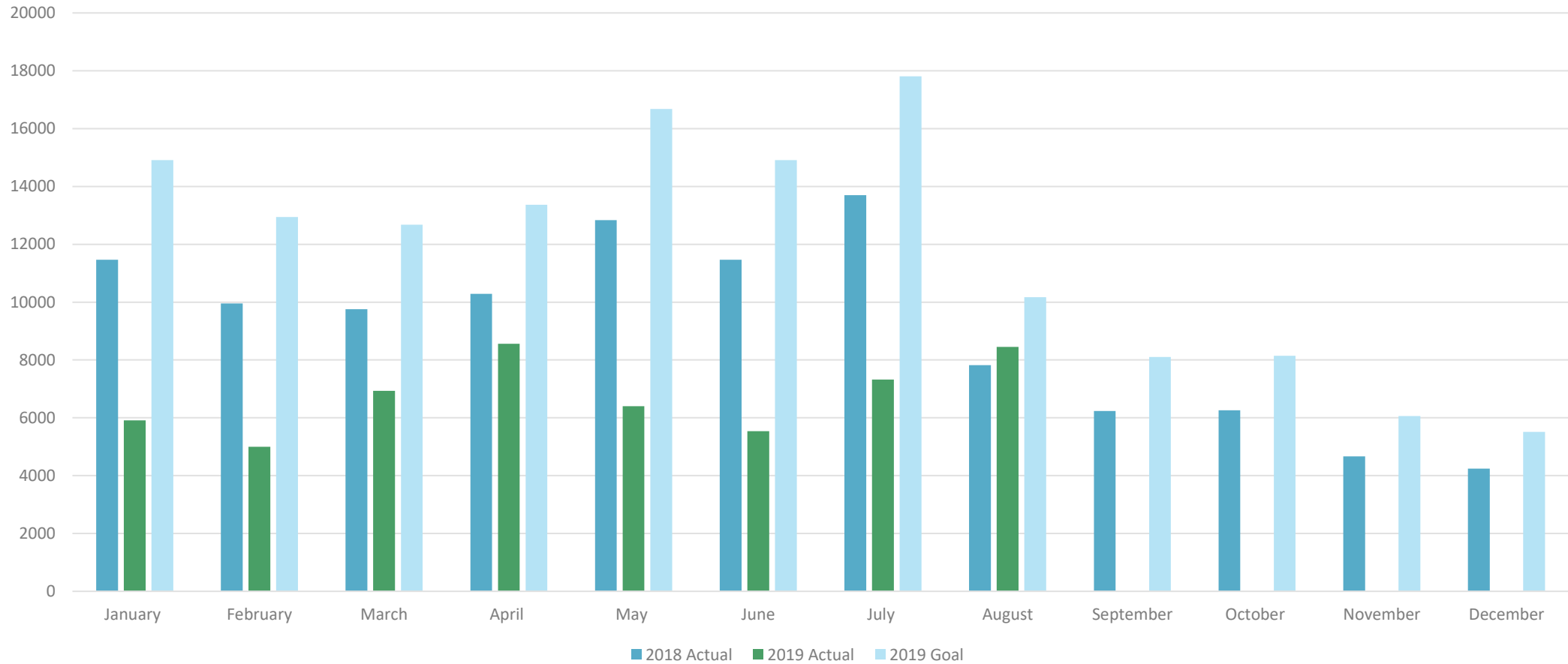
Marketing Leads



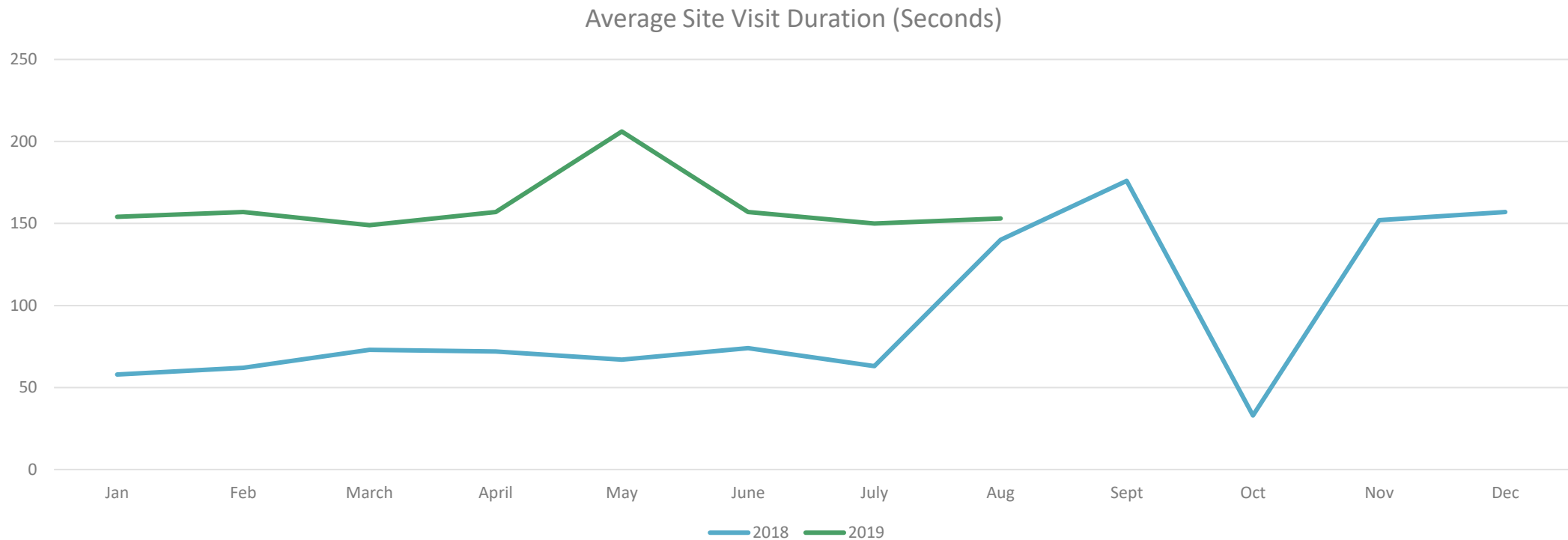
Sales Leads



Website Visitors



Website Visit Duration (Avg. in Seconds)



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Summary P&L through August 2019-Revised

	SUMMARY P&L MTD (\$000)						SUMMARY P&L YTD (\$000)			
	MTD		Variance		PY MTD		YTD		Variance	
	Act	Bud	\$	%	Act	\$	Act	Bud	\$	%
Gross Revenue	848	923	(75)	(8.1%)	875	(27)	6,916	6,878	37	0.5%
Net Revenue	848	923	(75)	(8.1%)	875	(27)	6,916	6,878	37	0.5%
Material	—	—	—		—	—	—	—	—	
Labor	129	145	15	10.6%	135	6	1,121	1,163	42	3.6%
Other COGS	7	6	(1)	(21.5%)	8	1	43	49	6	12.6%
Total COGS	137	151	14	9.4%	143	7	1,164	1,212	48	3.9%
Gross Margin	711	772	(61)	(7.8%)	732	(21)	5,751	5,666	85	1.5%
Gross Margin %	83.9%	83.7%		0.2%	83.6%		83.2%	82.4%		0.8%
R&D	293	304	11	3.6%	287	(7)	2,345	2,325	(20)	(0.8%)
Sales & Marketing	281	261	(20)	(7.5%)	297	16	1,966	2,205	239	10.8%
Administrative	269	123	(146)	(118.2%)	106	(163)	1,202	1,092	(110)	(10.1%)
Other										
Total OPEX (excl D&A)	844	689	(155)	(22.4%)	690	(154)	5,513	5,622	109	1.9%
Reported EBITDA	(132)	83	(215)	(259.6%)	42	(174)	238	44	194	438.7%
EBITDA Margin %	(15.6%)	9.0%		(24.6%)	4.8%		3.4%	0.6%		2.8%
Net Income (Loss)	(206)	83	(289)	(348.4%)	29	(235)	15	(132)	146	111.2%

REVISIONS

Sales & Marketing	\$51K increase-Gartner UK event from June 2019 moved from prepaid expense to marketing trade show expense
Administrative	\$110K increase-Stock based compensation expense 1/1-8/15/19
	\$31K increase-Accrual for vacation earned but not yet taken 1/1-8/15/19
	\$8K decrease-Legal expense related to the transaction moved to due diligence expense
	\$4K increase-Impact of deferred rent and tenant improvement allowance 1/1-8/31/19
Net Income	Impact of above adjustments
	\$32K decrease-Depreciation expense 1/1-8/31/19

Management Discussion

- Revenue:
 - Lower subscription revenue primarily due to lower than budgeted bookings
 - Shift in consulting model toward workshops and bundled services is causing downward pressure on services revenue
 - Continued strong renewals in both maintenance and subscription-above 90% for 2019
 - Strong Perpetual sales in H1 offset miss in subscription revenue
- Cost of Goods Sold:
 - Additional expense incurred for International contractor performing services work related to Impark engagement
- Operating Expense
 - Commission under budget by \$150K due to lower than budgeted sales
 - All discretionary travel eliminated in H1 2019, \$47K under budget
 - Significant savings in Azure hosting cost vs budget, \$39K
 - Legal fees are \$25K under budget due to a new contract attorney in 2019
 - Insurance \$10K under budget. Purchase of additional policies for cyber and crime delayed due to transaction
 - Depreciation, stock-based compensation, deferred rent and tenant improvement allowance booked on 8/15-expenses budgeted on 12/31. Vacation accrual booked due to transaction timing, vacation carryover against policy so accrual is not booked historically.

Balance Sheet-Revised

	31-Dec-18	31-Jan-19	28-Feb-19	31-Mar-19	30-Apr-19	31-May-19	30-Jun-19	31-Jul-19	31-Aug-19
Current Assets									
Cash and cash equivalents	\$ 979	\$ 1,611	\$ 1,696	\$ 1,480	\$ 1,918	\$ 2,252	\$ 2,032	\$ 1,867	\$ 3,150
Accounts receivable, net	2,278	1,407	1,112	2,095	1,685	1,317	2,244	2,072	2,532
Prepaid expenses and other current assets	121	87	127	158	163	108	81	74	104
Other current assets	-	-	-	-	-	-	-	-	-
Total Current Assets	3,377	3,106	2,936	3,733	3,765	3,678	4,357	4,013	5,786
Non-Current Assets									
Property, plant & equipment, gross	472	472	472	472	472	472	472	472	472
Accumulated depreciation	(237)	(237)	(237)	(237)	(237)	(237)	(237)	(237)	(269)
Property, plant & equipment, net	235	235	235	235	235	235	235	235	203
Deferred tax asset	469	469	469	469	469	469	469	469	469
Other non-current assets	125	125	125	125	125	125	125	125	-
Total Non-Current Assets	828	828	828	828	828	828	828	828	671
Total Assets	4,206	3,934	3,764	4,562	4,593	4,506	5,185	4,841	6,457
Current Liabilities									
Accounts payable	157	242	171	177	195	115	163	180	207
Accrued liabilities	333	303	249	362	352	326	467	410	518
Short-term unearned revenue	5,437	5,236	5,122	5,431	5,457	5,502	6,057	5,745	6,230
Other current liabilities	110	110	110	110	110	110	110	110	115
Total Current Liabilities	6,038	5,891	5,652	6,081	6,115	6,053	6,797	6,445	7,069
Total Long-Term Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	6,038	5,891	5,652	6,081	6,115	6,053	6,797	6,445	7,069
Shareholders' Equity									
Commitments and contingencies									
Common stock	2,411	2,411	2,411	2,411	2,411	2,411	2,419	2,419	3,617
Preferred stock	0	0	0	0	0	0	0	0	0
Retained earnings	(4,243)	(4,368)	(4,299)	(3,931)	(3,933)	(3,959)	(4,031)	(4,023)	(4,229)
Other equity transactions	-	-	-	-	-	-	-	-	-
Total Shareholders' Equity	(1,832)	(1,957)	(1,887)	(1,519)	(1,521)	(1,547)	(1,612)	(1,604)	(612)
Total Liabilities and Shareholders' Equity	4,206	3,934	3,764	4,562	4,593	4,506	5,185	4,841	6,457

Management Discussion

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

REVISIONS

Prepaid	\$51K decrease-Gartner UK event moved from prepaid to trade show expense
Accumulated Depreciation	\$32K increase-Depreciation expense 1/1-8/31/19
Other Non-current Assets	\$125K decrease-Shareholders loans netted from proceeds at close
Accounts Payable	\$30K decrease-Transaction expense from Miller Cooper paid at close
Accrued Liabilities	\$31K increase-Accrual for vacation earned but not yet taken 1/1-8/15/19
Other Current Liabilities	\$4K increase-Deferred rent and tenant improvement allowance 1/1-8/31/19
Common Stock	\$110K increase-Stock based compensation expense 1/1-8/15/19 \$125K decrease-Shareholders loans netted from proceeds at close \$30K increase-Transaction expense from Miller Cooper paid at close
Retained Earnings	\$110K decrease-Stock based compensation expense 1/1-8/15/19 \$31K decrease-Accrual for vacation earned but not yet taken 1/1-8/15/19 \$51K decrease-Gartner UK event from June 2019 expensed \$4K decrease-Deferred rent and tenant improvement allowance 1/1-8/31/19 \$32K decrease-Depreciation expense 1/1-8/31/19

Cash Flow Statement-*Revised*

	31-Jan-19	28-Feb-19	31-Mar-19	30-Apr-19	31-May-19	30-Jun-19	31-Jul-19	31-Aug-19	YTD
Cash flow from operations									
Net Income (Loss)	(125)	69	368	(2)	(26)	(72)	8	(206)	15
Change in operating assets and liabilities:									
Accounts receivable	870	295	(983)	410	367	(926)	172	(460)	(255)
Prepaid expenses and other current assets	34	(40)	(31)	(4)	55	27	7	(30)	17
Accounts payable	85	(71)	7	18	(80)	47	17	27	50
Accrued expenses	(30)	(54)	114	(11)	(26)	142	(57)	108	185
Other cash flow from operations	(201)	(114)	309	26	45	555	(312)	489	797
Total Cash Flow from Operations	632	85	(216)	437	335	(228)	(165)	(41)	840
Total Cash Flow from Investing	-	-	-	-	-	-	-	125	125
Cash flow from financing									
Common stock issued (repurchased)	-	-	-	-	-	7	-	1,198	1,205
Total Cash Flow from Financing	-	-	-	-	-	7	-	1,198	1,205
Net change in cash	632	85	(216)	437	335	(220)	(165)	1,283	2,171
Beginning cash	979	1,611	1,696	1,480	1,918	2,252	2,032	1,867	979
Change in cash	632	85	(216)	437	335	(220)	(165)	1,283	2,171
Ending cash	1,611	1,696	1,480	1,918	2,252	2,032	1,867	3,150	3,150

REVISIONS

Net Income	\$110K decrease-Stock based compensation expense 1/1-8/15/19 \$31K decrease-Accrual for vacation earned but not yet taken 1/1-8/15/19 \$51K decrease-Gartner UK event moved from prepaid expense to marketing trade show expense \$4K decrease-Deferred rent and tenant improvement allowance 1/1-8/31/19 \$32K decrease-Depreciation expense 1/1-8/31/19
Prepaid	\$51K increase-Gartner UK event moved from prepaid expense to marketing trade show expense
Accounts Payable	\$30K decrease-Transaction expense from Miller Cooper paid at close
Accrued Expenses	\$31K increase-Accrual for vacation earned but not yet taken 1/1-8/15/19
Other Cash Flow from Operations	\$4K increase-Impact of deferred rent and tenant improvement allowance 1/1-8/31/19
Common Stock	\$110K increase-Stock based compensation expense 1/1-8/15/19 \$125K decrease-Loans due from shareholders netted from proceeds at close \$30K increase-Transaction expense from Miller Cooper paid at close-moved from accounts payable

Management Discussion

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

1X Costs

\$ '000

Description	31-Aug-19	30-Sep-19	31-Oct-19	30-Nov-19	31-Dec-19	2019 Impact
Opening Balance Sheet Audit	-	15	-	-	-	15
Asset Valuation Report	-	20	-	-	-	20
Industry Specialist	-	30	30	25	25	110
Recruitment of New Personnel	-	10	25	25	25	85
Beckway Consultantas	25	60	20	-	-	105
Total 1X Costs	25	135	75	50	50	335

Operating Expense Summary-Revised

	MTD (\$000)		Variance		PY MTD (\$000)		Variance		YTD (\$000)		Variance	
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)	491	351	(140)	(39.7%)	352	(139)	(39.4%)		3,044	2,869	(175)	(6.1%)
Benefits (Medical, Dental, Life, AD&D & 401K)	67	72	5	6.5%	78	11	14.2%		561	580	19	3.3%
Bonus	4	5	1	11.5%	8	4	49.0%		41	43	2	4.6%
Marketing	97	33	(64)	(195.0%)	49	(47)	(96.2%)		449	467	19	4.0%
Commissions	38	73	35	47.7%	42	4	9.7%		309	458	150	32.7%
Travel and Entertainment	27	30	3	10.5%	67	40	60.4%		154	193	39	20.0%
Rent and Facilities	32	28	(4)	(13.6%)	25	(7)	(27.3%)		235	229	(5)	(2.4%)
Insurance	3	—	(3)	N/A	0	(3)			55	65	10	15.9%
Professional Fees	43	48	6	11.8%	40	(3)	(7.1%)		368	395	27	6.8%
Utilities, Repairs, Maint. & Security	3	3	(0)	(0.3%)	3	0	6.4%		23	23	(0)	(0.0%)
Office Supplies	0	1	0	45.8%	2	2	77.7%		4	7	3	42.6%
IT	32	32	0	1.0%	10	(22)	(214.6%)		203	242	39	16.0%
Bad Debt	—	—			—	-			—	—		
Real Estate Taxes	—	—			—	-			—	—		
Other Expenses	7	14	6	45.9%	13	5	42.5%		68	51	(17)	(33.8%)
Total Opex	\$ 844	\$ 689	\$ (155)	(22.4%)	\$ 690	\$ (154)	(22.3%)		\$ 5,513	\$ 5,622	\$ 109	1.9%
Total Opex to Revenue	99.5%	74.7%		(24.8%)	78.8%		-20.6%		79.7%	81.7%		2.0%

REVISIONS

Payroll	\$110K increase-Stock based compensation expense 1/1-8/15/19
	\$31K increase-Accrual for vacation earned but not yet taken 1/1-8/15/19
Marketing	\$51K increase-Gartner UK event moved from prepaid expense to marketing trade show expense
Rent and Facilities	\$4K increase-Impact of deferred rent and tenant improvement allowance 1/1-8/31/19
Professional Fees	\$8K decrease-Legal expense related to the transaction moved to due diligence expense

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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 contracts in process

Internal Control & Authority Matrix

- Draft in process

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. We will address upon hiring of Accounting Manager
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

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Full Year P&L Forecast-*Revised*

FULL YEAR FORECAST (Aug YTD actual + remaining budget)							
	FY		Variance		PY	Variance	
	Fcst	Bud	\$	%		\$	%
Gross Revenue	11,041	11,004	37	0.3%	9,338	1,703	18.2%
Net Revenue	11,041	11,004	37	0.3%	9,336	1,705	18.3%
Material	—	—	—		—	—	
Labor	1,715	1,756	42	2.4%	1,671	(44)	(2.6%)
Other COGS	68	74	6	8.3%	70	3	3.6%
Total COGS	1,782	1,830	48	2.6%	1,741	(41)	(2.4%)
Gross Margin	9,259	9,174	85	0.9%	7,595	1,664	21.9%
Gross Margin %	83.9%	83.4%		0.5%	81.4%		2.5%
R&D	3,494	3,474	(20)	(0.6%)	3,692	199	5.4%
Sales & Marketing	3,027	3,266	239	7.3%	3,337	310	9.3%
Administrative	1,922	1,812	(110)	(6.1%)	1,700	(222)	(13.1%)
Other	—	—	—		—	—	
Total OPEX (excl D&A)	8,442	8,551	109	1.3%	8,729	286	3.3%
Reported EBITDA	816	622	194	31.2%	(1,134)	1,950	172.0%
EBITDA Margin %	7.4%	5.7%		1.7%	(12.1%)		19.5%
Net Income (Loss)	494	348	146	42.1%	(1,090)	1,583	(145.3%)
Net Income %	4.5%	3.2%		1.3%	-11.7%		16.1%

REVISIONS

Sales & Marketing	\$51K increase-Gartner UK event from June 2019 moved from prepaid expense to marketing trade show expense
Administrative	\$110K increase-Stock based compensation expense 1/1-8/15/19
	\$31K increase-Accrual for vacation earned but not yet taken 1/1-8/15/19
	\$8K decrease-Legal expense related to the transaction moved to due diligence expense
	\$4K increase-Impact of deferred rent and tenant improvement allowance 1/1-8/31/19
Net Income	Impact of above adjustments
	\$32K decrease-Depreciation expense 1/1-8/31/19

Full Year Balance Sheet Forecast

Will be presented after Opening Balance Sheet Audit is completed and
PPA entries are booked

Full Year Cash Flow Forecast

Will be presented after Opening Balance Sheet Audit is completed and
PPA entries are booked

AR & AP Aging-*Revised*

A/R Aging			
Days	Jun-19	Jul-19	Aug-19
0-30	\$1,869,292	\$1,352,130	\$1,867,790
30-60	\$ 233,533	\$ 317,971	\$ 217,511
60-90	\$ -	\$ 262,831	\$ 44,413
>90	\$ 141,071	\$ 139,196	\$ 402,659
Total Gross AR	\$2,243,896	\$2,072,128	\$2,532,372
Reserves	\$ -	\$ -	\$ -
Total Net AR	\$2,243,896	\$2,072,128	\$2,532,372

AP Aging			
Days	Jun-19	Jul-19	Aug-19
0-30	\$ 114,881	\$ 143,822	\$ 103,564
30-60	\$ 13,568	\$ -	\$ 45,746
60-90	\$ 1,400	\$ -	\$ -
>90	\$ -	\$ -	\$ -
Total	\$129,848	\$143,822	\$149,310

REVISIONS

Accounts Payable

\$30K decrease-Transaction expense from Miller Cooper paid at close-moved to APIC

Headcount by Month

