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Quarterly Operating Plan
December 2019

12 August 2020

Quarterly Operating Plan Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

Executive Summary

Good News / Positives to Business and Plan:

- Recurring revenue up 25.2% over 2018, 12.1% increase in overall revenue
- Strong December subscription bookings of \$779K to end Q4
 - New subscription (SaaS) logos: Fidelity International and American Airlines
 - New subscription (non-SaaS) logos: Stihl, DXC Manpower, Cancer Treatment Centers of America, and LifeLabs
 - Upsells: BUPA, Milliman Intelliscripts
- Leica Biosystems true-up of royalties for \$90K
- Added \$260K (e.g. signed SOWs) to the professional services backlog: LifeLabs, Caliber, Abbott, Aetna
- Hired and on-boarded new Chief Product Officer
- Conducted InRule User Community (IUC) Member survey resulting in useful marketing metrics including 93% of respondents said they would recommend InRule to a colleague and 98% respondents stating InRule successfully helped achieve their organizational business goals

Risks / Challenges to the Business and Plan:

- Missed annual bookings goal of \$12,702K by \$461K and revenue goal of \$11,004 by \$540K
- Lower Services utilization than expected, partially due to bundled services with new projects






Executive Summary (Continued)

	Description	Potential Impact	Plan to Address
Risks	<ul style="list-style-type: none"> More than budgeted SaaS customers 	<ul style="list-style-type: none"> Not ready for larger scale SaaS customers 	<ul style="list-style-type: none"> Establish compliance certification Reorg DevOps to gain efficiencies and scalability
	<ul style="list-style-type: none"> Aggressive Marketing & Sales 2020 funnel metrics 	<ul style="list-style-type: none"> Phasing of bookings to achieve revenue goals 	<ul style="list-style-type: none"> Ensure Marketing and Sales programs appropriately feed the pipeline Optimize AdWord dollars First five minutes initiative
	<ul style="list-style-type: none"> Ability to add new headcount in a timely manner 	<ul style="list-style-type: none"> Initiative execution will move slower than estimated 	<ul style="list-style-type: none"> Finalize staffing needs for next six months Develop recruiting strategy
Opportunities	<ul style="list-style-type: none"> Finalize Salesforce agreement 	<ul style="list-style-type: none"> Increased sales opportunities in pipeline 	<ul style="list-style-type: none"> Confirm royalty share with OPG Get setup in AppExchange
	<ul style="list-style-type: none"> Ongoing product machine reorganization and process optimization 	<ul style="list-style-type: none"> Increase in feature release cadence 	<ul style="list-style-type: none"> Review skills assessment Establish integrated IT, Development and Cloud operations

December Sales Summary





Wins				Delays/Potential Losses	
<ul style="list-style-type: none">SaaS:<ul style="list-style-type: none">Fidelity - \$154KAmerican Airlines – \$125KPerpetual<ul style="list-style-type: none">Milliman – \$83K		<ul style="list-style-type: none">Subscription:<ul style="list-style-type: none">Stihl - \$73KDXC Manpower - \$100KCancer Treatment Centers of America – \$95KLifeLabs - \$105KBupa – \$125K		<ul style="list-style-type: none">Delays:<ul style="list-style-type: none">Adecco – \$106KConduent - \$104K	
Upcoming Pipeline					
Potential Customer	Est. Close	LFR	ARR	Industry (Account) (Account)	Revenue Subclass
CONDUENT (FORMERLY XEROX SERVICES)	January		\$ 104,000.00	Information Technology and Services	Additional Project
SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED	January	\$ 58,352.00		Oil and Gas	Expanded Revenue (Add Licenses to Existing Project)
ASSURECARE (FORMERLY CH MACK)	February	\$ 27,500.00	\$ 16,000.00	Healthcare - Provider	Expanded Revenue (Add Licenses to Existing Project)
THE SAUDI INVESTMENT BANK	February		\$ 10,000.00	Financial Services - Retail Banking/Mortgage/Lending	Additional Project
SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED	February	\$ 116,704.00		Oil and Gas	Expanded Revenue (Add Licenses to Existing Project)
ADECCO GROUP	March		\$ 106,800.00	Professional Services	Initial/New Project
BELGOPROCESS N.V.	March		\$ 94,797.00	Power and Utilities	Initial/New Project
DXC HLS - WISCONSIN	March		\$ 122,000.00	Government - State/Province and Local	Initial/New Project
VERIPARK	March		\$ 10,000.00	Financial Services - Retail Banking/Mortgage/Lending	Initial/New Project
Total		\$ 202,556.00	\$ 479,386.00		

2019 Key Initiatives

Initiative	Status	Recent Progress	Next Steps	Risks
Restructure the product machine organization		<ul style="list-style-type: none"> • CPO hired and onboarded • Reviewed team and made skills assessment 	<ul style="list-style-type: none"> • Determine optimal DevOps and IT Ops infrastructure 	<ul style="list-style-type: none"> • Looking to flatten org which may result in employee churn
Deliver Decision Services		<ul style="list-style-type: none"> • Released 5.5.0 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A
Portal Web Authoring		<ul style="list-style-type: none"> • Researched frameworks • Interviewed potential outsourcers 	<ul style="list-style-type: none"> • Determine if we want to purchase a framework or build on existing portal technology 	<ul style="list-style-type: none"> • Existing portal may be too limiting • Difficult to find outsourcer with skills we require
Deliver embedded authoring services		<ul style="list-style-type: none"> • Finished work on Web BL Editor 	<ul style="list-style-type: none"> • Determine requirements and functionality for web Decision Table and begin work 	<ul style="list-style-type: none"> • Including too much DT functionality for MVP
Develop integrations team strategy and roadmap		<ul style="list-style-type: none"> • Standardized the App Services template across Dynamics, Salesforce, Flagship, and Decision Services 	<ul style="list-style-type: none"> • Build roadmap for Dynamics and Powerplatform functionality for 2020 	<ul style="list-style-type: none"> • American Airlines may require near term product changes and affect roadmap prioritization

 Complete
  On-Schedule
  At Risk
  Behind

2019 Key Initiatives (Continued)

Initiative	Status	Recent Progress	Next Steps	Risks
Develop channel strategy		<ul style="list-style-type: none"> Built profile for channel manager hire Reached out to network to identify candidate 	<ul style="list-style-type: none"> Source candidate 	<ul style="list-style-type: none"> Less time to establish 2020 opportunities with larger System Integrators
Develop sales team strategy		<ul style="list-style-type: none"> Identified SDR candidate in UK 	<ul style="list-style-type: none"> Negotiate with candidate 	<ul style="list-style-type: none"> Less leads sourced from outbound efforts UK tax law change impeding contract hires
Revamp InRule.com		<ul style="list-style-type: none"> Completed designs and presented to LA Design Studio and Darien Group; 	<ul style="list-style-type: none"> Working with both agencies to bring parity to proposals for apples-to-apples comparison for final decision/selection 	<ul style="list-style-type: none"> Less leads sourced from website
Develop recruiting strategy to fill key open positions		<ul style="list-style-type: none"> Hired CPO 	<ul style="list-style-type: none"> Product developer-Define roles and responsibilities and engage with a recruiter to fill position Product Manager-Define roles and responsibilities and engage with a recruiter to fill position Backfill developer position 	<ul style="list-style-type: none"> Further delays in portal web authoring

Key Bookings and Revenue Results

- 5 new subscription (SaaS) customers in 2019 with an average deal size of \$143K resulting in a \$300K favorable variance vs budgeted bookings.
- Strong finish to 2019 in subscription (non-SaaS) sales with 4 new logos and 1 upsells in December adding \$500K in bookings.
- Outperformed budgeted renewal rate in 2019 finishing the year at 93%.
- Lower subscription revenue from new license sales primarily due to:
 - Lower than expected bookings, timing of contracts and downward pressure on initial subscription deal size versus initial perpetual deal size.
 - H1 Marketing spend pull-back.
- \$260K of services contracted in December creating a solid backlog of services to be delivered in H1. Underperformed in creating demand for new projects and driving revenue from existing customer base in 2019.

Bookings & Revenue - December 2019 MTD & YTD by Product

\$000's	Bookings & Revenue MTD Dec-19							Bookings & Revenue YTD Dec-19						
	MTD		Variance		PY MTD	Variance		YTD		Variance		PY YTD	Variance	
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%
Bookings														
Recurring														
Subscription - New	500	325	\$175	53.9%	378	\$122	32.3%	1,621	2,840	(\$1,219)	(42.9%)	1,859	(\$237)	(12.8%)
Subscription - Renewal	170	546	(376)	(68.9%)	414	(244)	(58.9%)	3,003	2,914	89	3.1%	1,682	1,320	78.5%
Saas - New	279	100	179	179.4%	-	279	0.0%	715	410	305	74.3%	190	525	276.2%
Saas - Renewal	-	0	-	0.0%	-	-	0.0%	190	166	24	14.3%	-	190	0.0%
Maintenance & Support - New	23	30.3	(7)	(23.9%)	56	(33)	(58.7%)	158	220	(62)	(28.0%)	286	(128)	(44.7%)
Maintenance & Support - Renewal	233	281	(47)	(16.8%)	199	35	17.6%	4,790	3,852	937	24.3%	3,904	885	22.7%
Total Bookings Recurring	\$1,206	\$1,282	(\$76)	(5.9%)	\$1,046	\$160	15.3%	\$10,477	\$10,402	\$74	0.7%	\$7,921	\$2,555	32.3%
Perpetual	173	151	22	14.4%	249	(76)	(30.4%)	1,073	1,100	(27)	(2.5%)	1,527	(454)	(29.7%)
Consulting	142	79	63	79.6%	80	63	79.2%	692	1,200	(508)	(42.4%)	1,067	(375)	(35.2%)
Total Bookings	\$1,522	\$1,512	\$9	0.6%	\$1,375	\$147	10.7%	\$12,241	\$12,702	(\$461)	(3.6%)	\$10,515	\$1,726	16.4%
Revenue														
Recurring														
Subscription - New	120	241	(\$121)	(50.1%)	149	(\$29)	(19.3%)	1,720	2,354	(\$634)	(26.9%)	1,351	\$369	27.3%
Subscription - Renewal	215	232	(16)	(7.0%)	164	51	31.1%	2,080	2,097	(17)	(0.8%)	1,027	1,052	102.4%
Saas - New	40	26	14	53.6%	16	24	145.9%	293	255	38	14.9%	71	222	310.7%
Saas - Renewal	16	14	2	13.4%	-	16	0.0%	69	54	16	29.7%	-	69	0.0%
Maintenance & Support - New	24	20	4	17.3%	27	(3)	(12.0%)	308	244	65	26.6%	411	(102)	(24.9%)
Maintenance & Support - Renewal	363	314	49	15.6%	346	17	4.9%	4,201	3,817	384	10.0%	4,067	134	3.3%
Total Recurring Revenue	\$779	\$847	(\$69)	(8.1%)	\$703	\$75	10.7%	\$8,672	\$8,821	(\$149)	(1.7%)	\$6,927	\$1,745	25.2%
Perpetual	173	152	22	14.4%	249	(76)	(30.4%)	1,073	1,100	(27)	(2.5%)	1,527	(454)	(29.7%)
Consulting	61	72	(11)	(14.8%)	94	(33)	(35.4%)	719	1,083	(363)	(33.6%)	882	(162)	(18.4%)
Total Revenue	\$1,013	\$1,070	(\$57)	(5.4%)	\$1,047	(\$34)	(3.2%)	\$10,464	\$11,004	(\$540)	(4.9%)	\$9,336	\$1,128	12.1%
ARR	\$9,342	\$10,167	(\$824)	(8.1%)	\$8,438	\$904	10.7%	\$9,342	\$10,167	(\$824)	(8.1%)	\$8,438	\$904	10.7%

(1) Opening balance sheet entries made on 8/15/2019

(2) OBS Entries decreased YTD revenue by \$277K

(3) OBS Entries decreased December recurring revenue by \$52K, therefore, ARR was decreased \$626K (e.g. \$52K * 12)

The impact of ASC 606 is not reflected in the above numbers and will be restated in conjunction with the year-end audit

Bookings & Revenue - December 2019 QTD by Product

\$000's	Bookings & Revenue QTD Dec-19						
	QTD		Variance		PY QTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Bookings							
Recurring							
Subscription - New	\$ 576	\$ 635	(59)	(9.3%)	\$ 541	35	6.4%
Subscription - Renewal	1,122	1,348	(226)	(16.8%)	969	153	15.8%
Saas - New	279	155	124	80.2%	-	279	0.0%
Saas - Renewal	-	-	-	0.0%	-	-	0.0%
Maintenance & Support - New	33	53	(20)	(38.1%)	71	(38)	(53.8%)
Maintenance & Support - Renewal	817	820	(3)	(0.4%)	666	150	22.6%
Total Bookings Recurring	\$ 2,827	\$3,012	(\$185)	(6.1%)	\$2,247	\$579	25.8%
Perpetual	\$ 225	\$ 266	(42)	(15.6%)	\$ 384	(159)	(41.4%)
Consulting	276	303	(26)	(8.7%)	288	(12)	(4.1%)
Total Bookings	\$3,328	\$3,581	(\$253)	(7.1%)	\$2,919	\$409	14.0%
Revenue							
Recurring							
Subscription - New	\$ 380	\$ 702	(322)	(45.9%)	\$ 459	(79)	(17.2%)
Subscription - Renewal	619	644	(25)	(3.9%)	322	296	91.9%
Saas - New	109	73	36	49.0%	48	61	126.8%
Saas - Renewal	47	42	5	12.2%	-	47	0.0%
Maintenance & Support - New	70	60	10	15.9%	80	(10)	(12.7%)
Maintenance & Support - Renewal	1,069	943	126	13.4%	1,020	49	4.9%
Total Recurring Revenue	\$2,293	\$2,464	(\$170)	(6.9%)	\$1,930	\$364	18.9%
Perpetual	\$ 225	\$ 267	(42)	(15.6%)	\$ 384	(159)	(41.4%)
Consulting	187	273	(86)	(31.4%)	256	(68)	(26.8%)
Total Revenue	\$2,705	\$3,003	(\$298)	(9.9%)	\$2,569	\$136	5.3%
ARR	\$9,342	\$10,167	(\$824)	(8.1%)	\$8,438	\$904	10.7%

(1) Opening balance sheet entries made on 8/15/2019

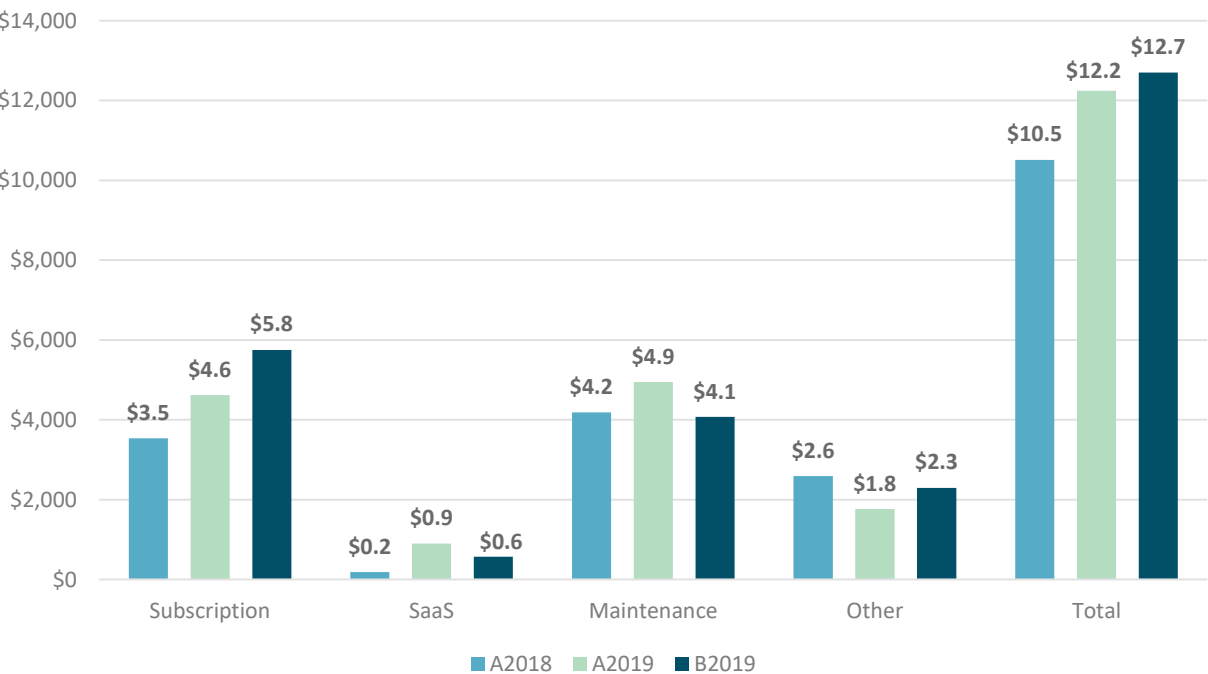
(2) OBS Entries decreased YTD revenue by \$277K, decreased QTD revenue by \$173K

(3) OBS Entries decreased December recurring revenue by \$52K, therefore, ARR was decreased \$626K (e.g. \$52K * 12). Prior to OBS entries, ARR was \$9,968K

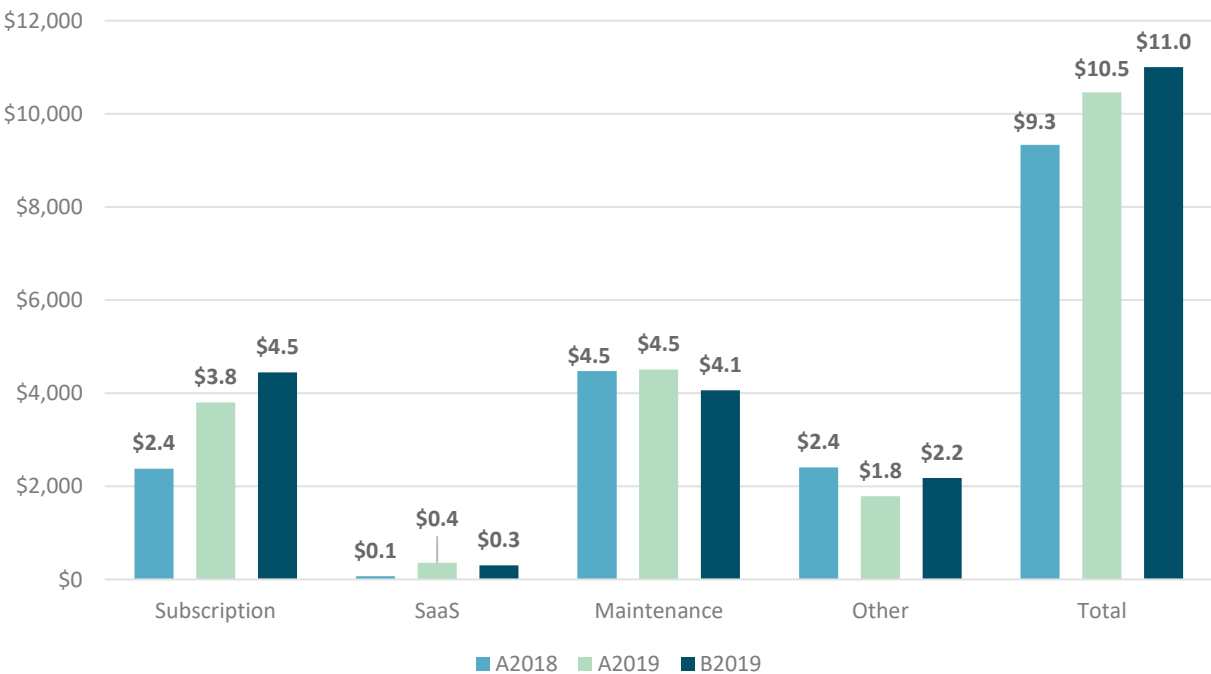
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Total Bookings & Revenue - YTD 2019 by Product

Bookings by Product YTD-2019

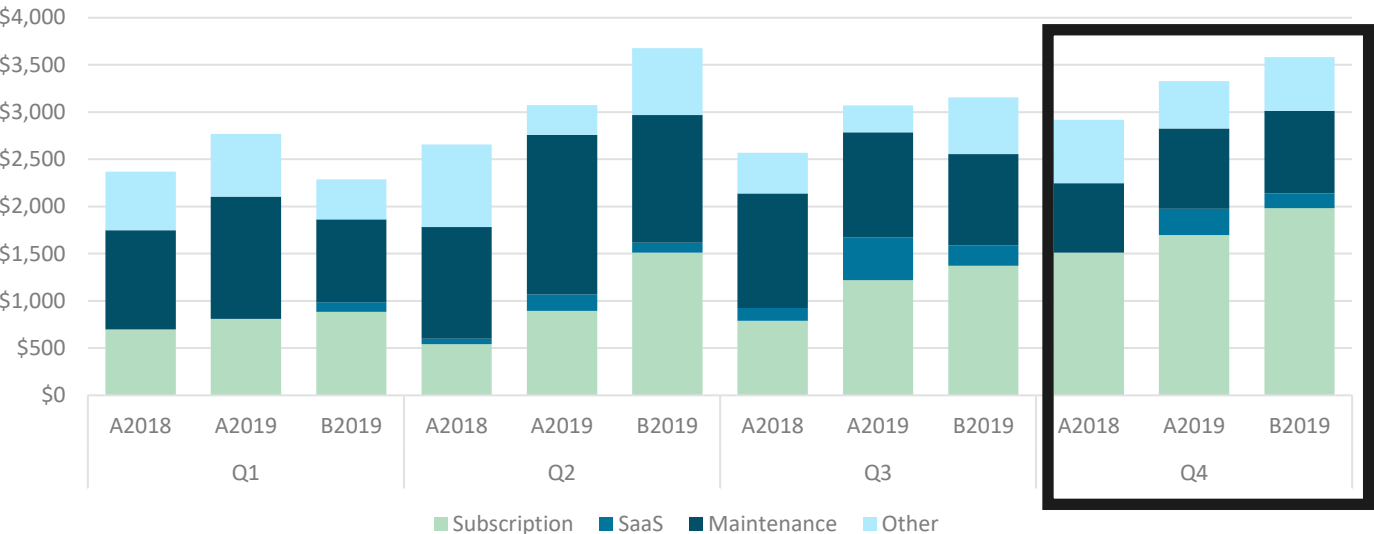


Revenue by Product YTD-2019

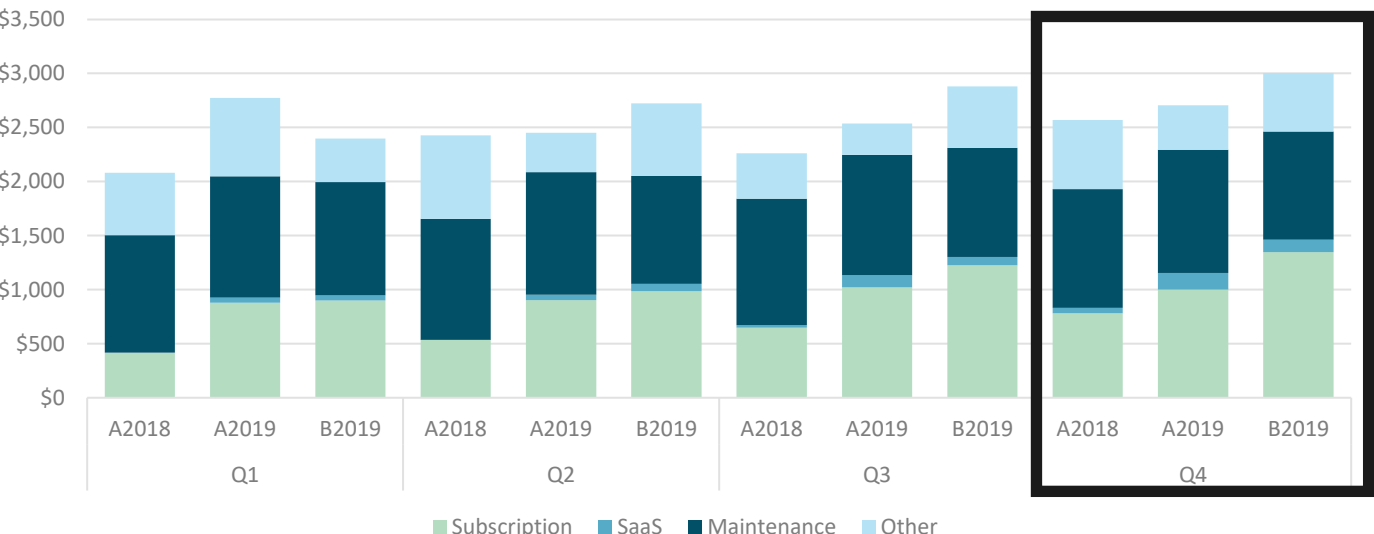


Bookings & Revenue – Quarterly Trend by Product

Quarterly Bookings Trend (2018-2019)



Quarterly Revenue Trend (2018-2019)

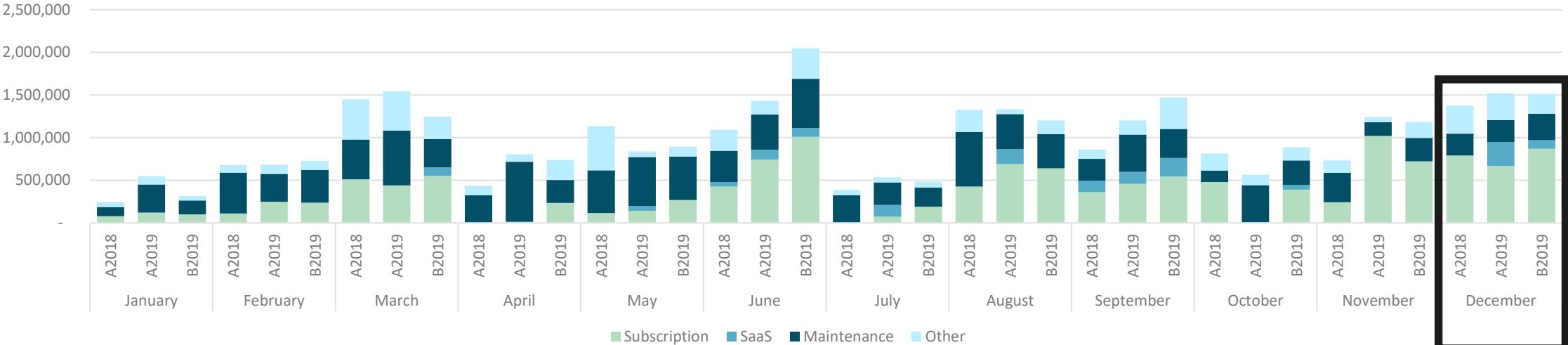


Management Discussion

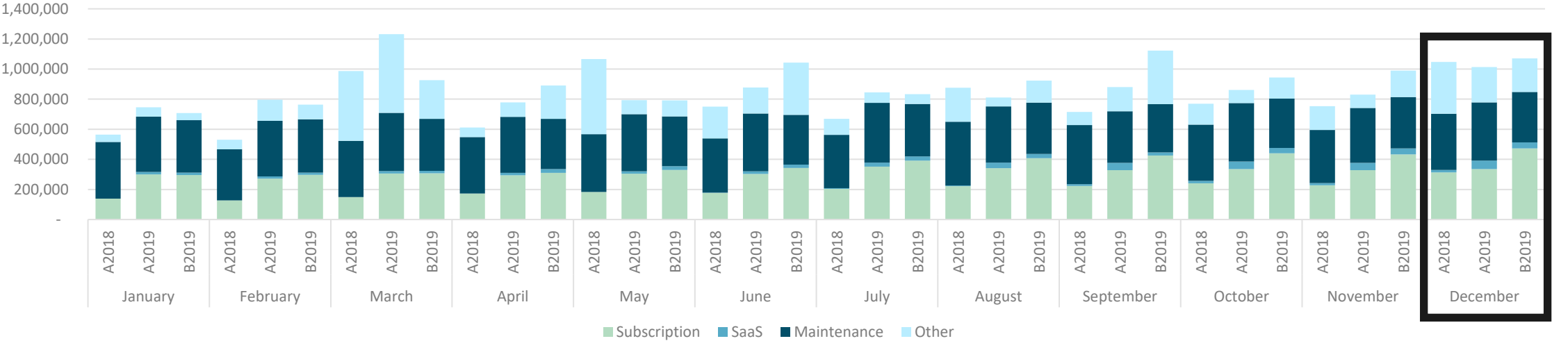
- Strong finish to 2019 with 6 new logos-2 SaaS & 4 Subscription and several upsells resulting in bookings and increased ARR of \$858K.
- Outperformed budgeted renewal rate in 2019 finishing the year at 93%.
- Lower subscription revenue from new license sales primarily due to:
 - Lower than expected bookings, timing of contracts and downward pressure on initial subscription deal size versus initial perpetual deal size.
 - H1 Marketing spend pull back.
- Perpetual revenue came in on budget for 2019 due to a large upsell in December and a true-up royalty payment that was received.
- \$260K of services contracted in December creating a solid backlog of services to be delivered in H1. Underperformed in creating demand for new projects and driving revenue from existing customer base in 2019.

Bookings & Revenue – Monthly Trend by Product

Monthly Bookings Trend (2018-2019)

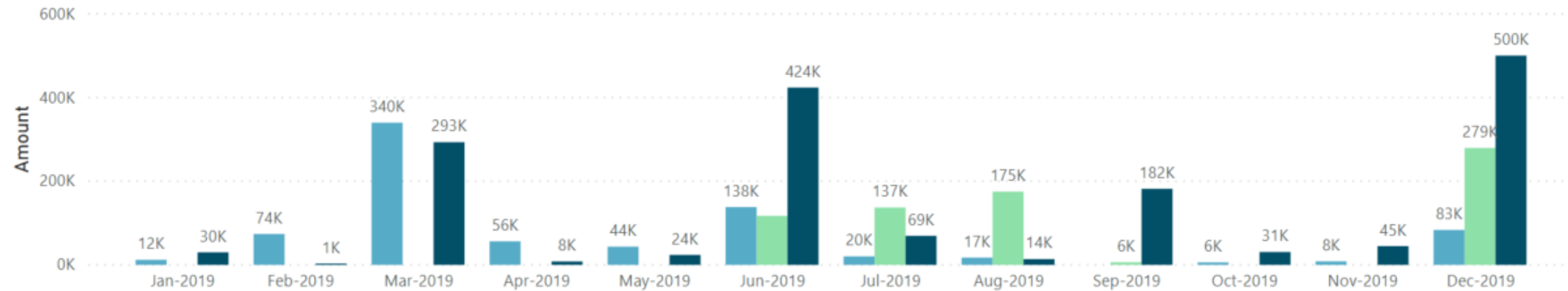


Monthly Revenue Trend (2018-2019)

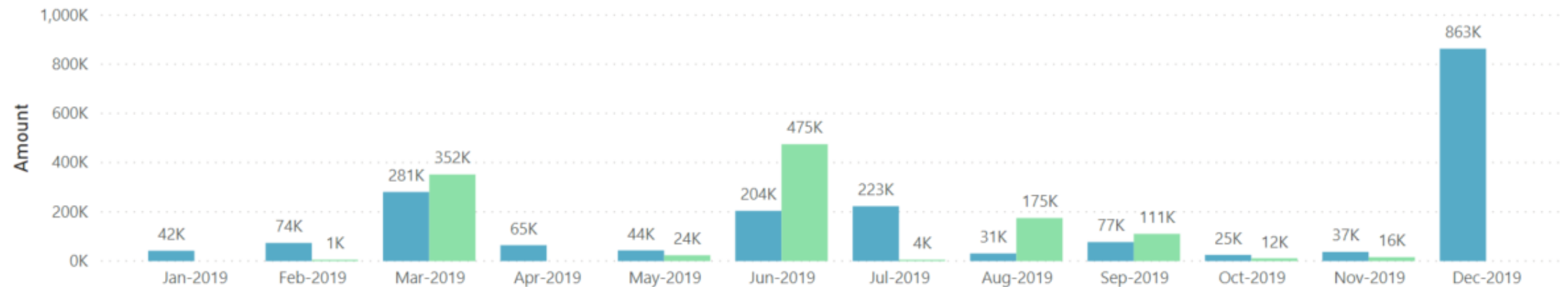


New License Bookings - Product & Channel

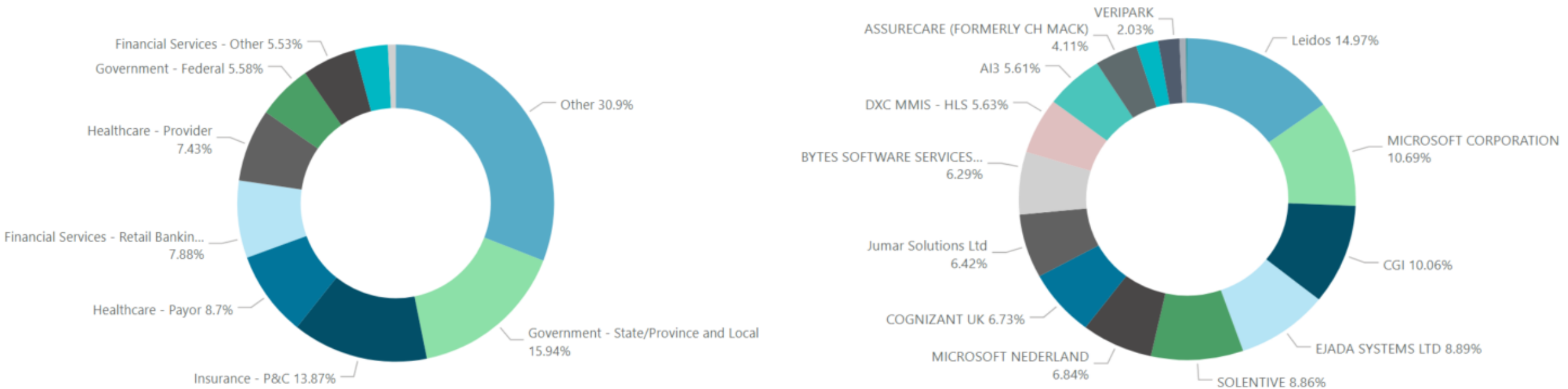
License Type ● Perpetual ● SaaS New ● Subscription New



Direct/Indirect ● Direct ● Indirect



New License Bookings – Vertical and Channel

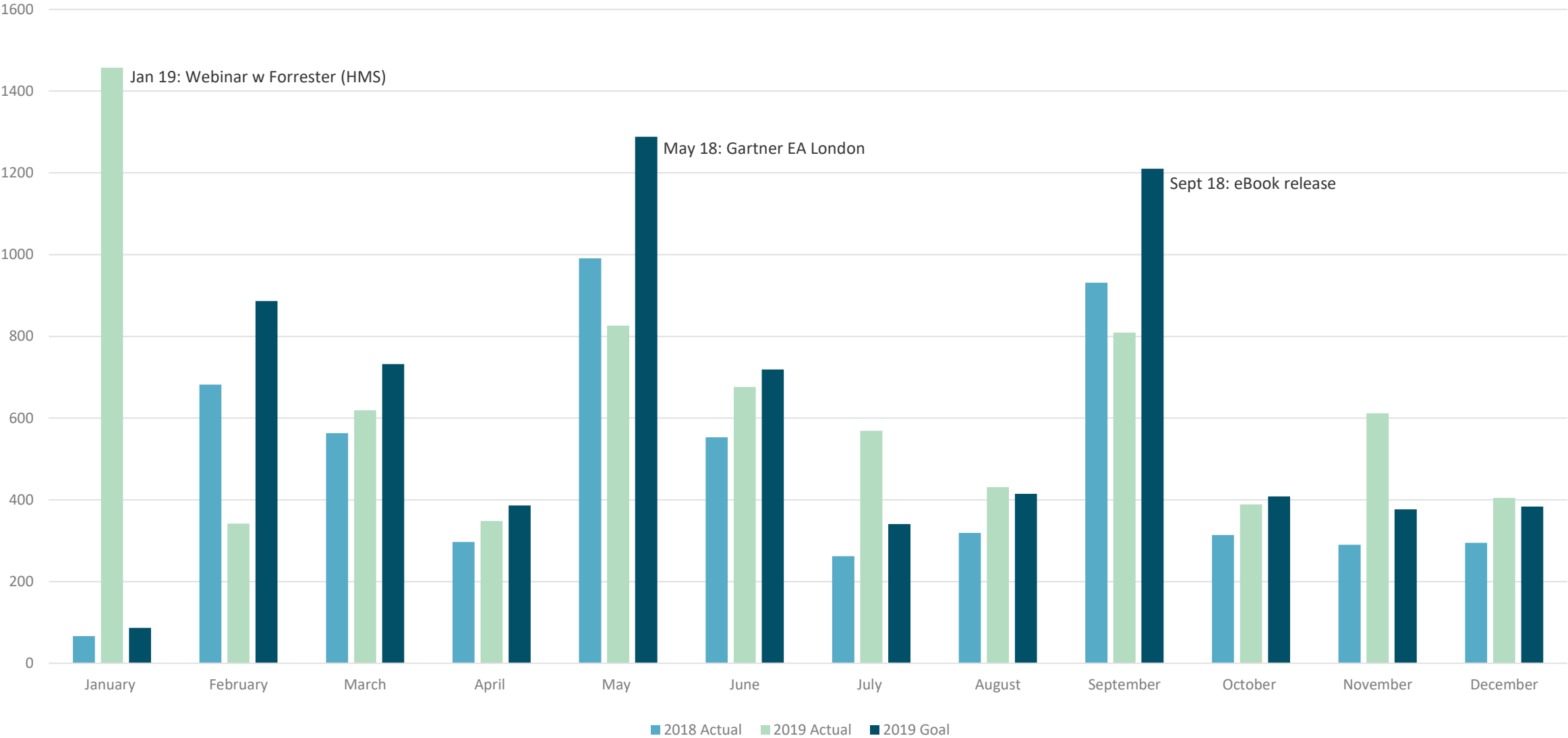


January 2019 – December 2019

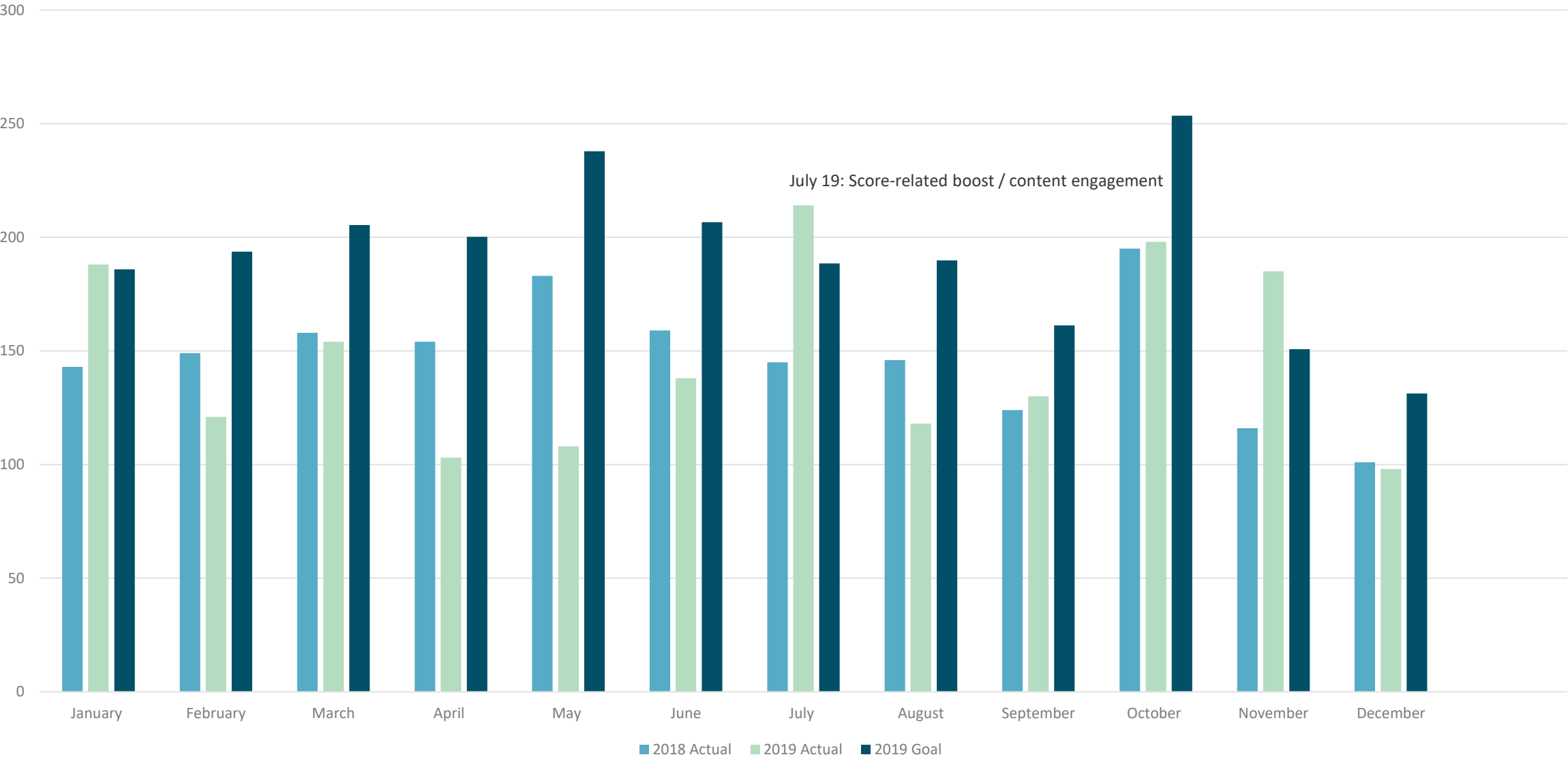
2019 Deals by Revenue - Top 15

Potential Customer	ARR	LFR	Actual Revenue	Actual Close Date	Platform
LEIDOS BIOMEDICAL RESEARCH (NIH)	\$175,000.00		\$175,000.00	8/29/2019	SaaS
PAYONEER	\$48,830.00	\$109,308.00	\$158,138.00	3/20/2019	.NET
FIDELITY INVESTMENT MANAGEMENT LIMITED	\$154,174.00		\$154,174.00	12/31/2019	SaaS
WASHINGTON HEALTH BENEFIT EXCHANGE	\$137,000.00		\$137,000.00	7/30/2019	SaaS
PROVINCE OF BRITISH COLUMBIA - MINISTRY OF ADVANCED EDUCATION	\$130,647.00		\$130,647.00	6/27/2019	Dynamics CRM
BUPA BHF	\$125,590.00		\$125,590.00	12/16/2019	Dynamics CRM
AMERICAN AIRLINES, INC.	\$125,179.00		\$125,179.00	12/30/2019	SaaS
STATE OF ARIZONA DEPARTMENT OF CHILD SAFETY	\$125,000.00		\$125,000.00	6/27/2019	Dynamics CRM
TOKIO MARINE - HCC	\$117,154.00		\$117,154.00	6/27/2019	SaaS
SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED		\$116,704.00	\$116,704.00	3/20/2019	Azure
LIFELABS LP	\$105,000.00		\$105,000.00	12/29/2019	Azure
AL RAJHI BANK		\$103,940.50	\$103,940.50	3/28/2019	Dynamics CRM
HCF - THE HOSPITALS CONTRIBUTION FUND OF AUSTRALIA	\$103,532.70		\$103,532.70	3/28/2019	.NET
DXC MANPOWER	\$100,500.00		\$100,500.00	12/1/2019	.NET
MILLIMAN INTELLIScript		\$83,462.40	\$83,462.40	12/19/2019	.NET

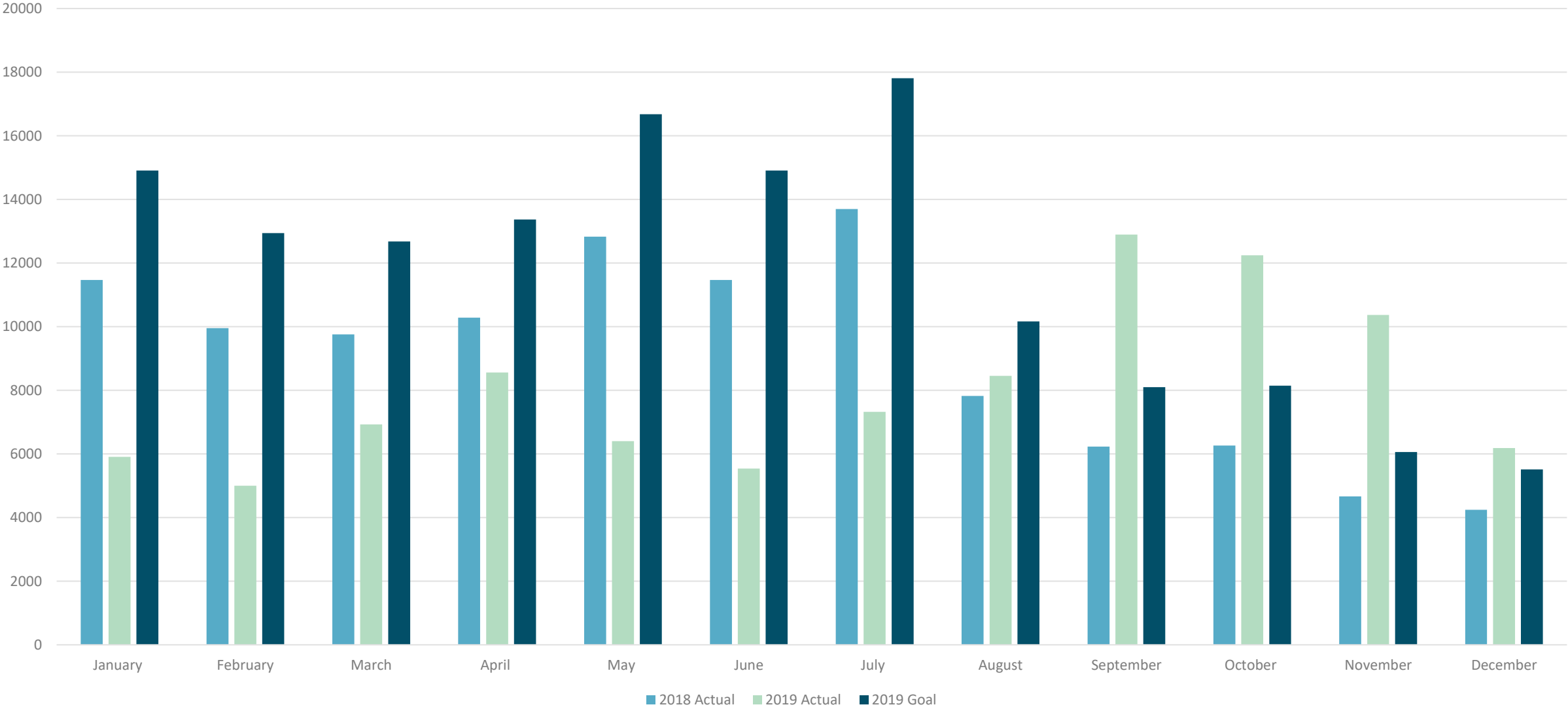
Marketing Leads



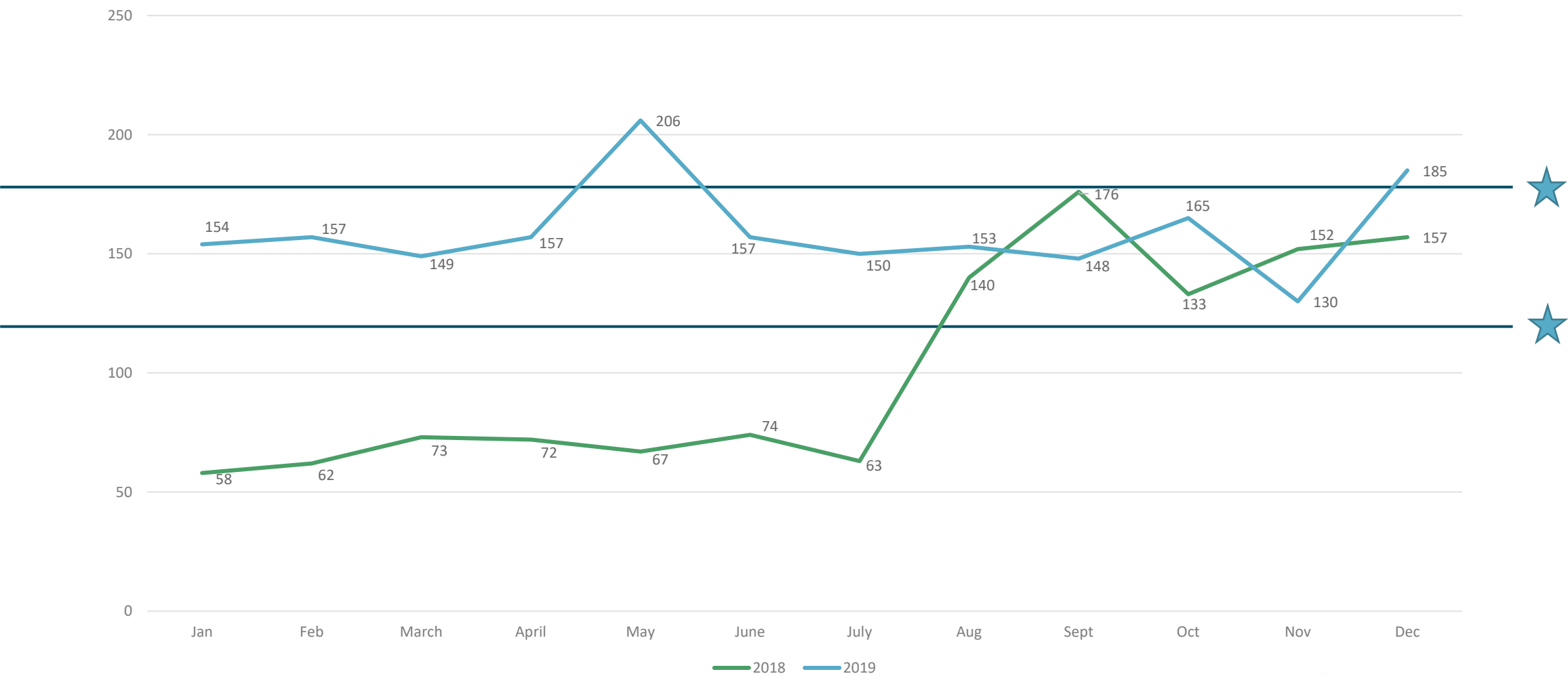
Sales Leads



Website Visitors



Website Visit Duration (Avg. in Seconds)



★ Industry Avg: 120-180 seconds

Quarterly Operating Plan Agenda

- Executive Summary
- Financial Review
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Summary P&L through December 2019

\$000's	Summary P&L MTD Dec-19							Summary P&L YTD Dec-19						
	MTD		Variance		PY MTD	Variance		YTD		Variance		PY YTD	Variance	
	Act	Bud	\$	%	Act	\$	%	Act	Bud	\$	%	Act	\$	%
Net Revenue	\$1,013	\$1,070	(\$57)	(5.4%)	\$1,047	(\$34)	(3.2%)	\$10,464	\$11,004	(\$540)	(4.9%)	\$9,336	\$1,128	12.1%
ARR	\$9,342	\$10,167	(\$824)	(8.1%)	\$8,438	\$904	10.7%	\$9,342	\$10,167	(\$824)	(8.1%)	\$8,438	\$904	10.7%
Material	-							-						
Labor	139	154	16	11.2%	141	3	2.0%	1,679	1,757	78	4.7%	1,671	(8)	(0.5%)
Other COGS	18	6	(12)	(64.7%)	8	(11)	(59.1%)	75	74	(1)	(1.5%)	70	(5)	(6.4%)
Total COGS	\$157	\$161	\$4	2.4%	\$149	(\$8)	(5.1%)	\$1,754	\$1,831	\$77	4.4%	\$1,741	(\$13)	(0.7%)
Gross Margin	\$856	\$910	(\$54)	(5.9%)	\$898	(\$42)	(4.7%)	\$8,710	\$9,173	(\$463)	(5.0%)	\$7,595	\$1,115	14.7%
Gross Margin %	84.5%	85.0%		(0.5%)	85.8%		(1.3%)	83.2%	83.4%		(0.1%)	81.4%		1.9%
R&D	303	331	28	9.3%	339	36	11.8%	3,539	3,521	(18)	(0.5%)	3,692	153	4.3%
Sales & Marketing	427	292	(136)	(31.8%)	356	(72)	(16.7%)	3,115	3,278	162	5.2%	3,337	221	7.1%
Administrative	166	205	39	23.7%	281	116	69.8%	1,990	2,144	154	7.7%	1,700	(290)	(14.6%)
Total OPEX (excl D&A)	\$896	\$828	(\$68)	(7.6%)	\$976	\$80	8.9%	\$8,644	\$8,943	\$298	3.4%	\$8,729	\$84	1.0%
Total OPEX (excl D&A) %	88.5%	77.4%		(11.1%)	93.2%		4.7%	82.6%	81.3%		(1.3%)	93.5%		10.9%
Net Income (Loss)	(\$386)	(\$56)	(\$329)	585.3%	\$49	(\$49)	100.0%	(\$1,603)	(\$247)	(\$1,356)	(550.1%)	(\$977)	\$977	100.0%
Reported EBITDA	(\$40)	\$82	(\$122)	(149.3%)	(\$78)	\$38	48.3%	\$66	\$230	(\$165)	(71.4%)	(\$1,134)	\$1,200	105.8%
EBITDA Margin %	(4.0%)	7.6%		(11.6%)	(7.4%)		3.5%	0.6%	2.1%		(1.5%)	(12.1%)		12.8%
EBITDA, adjusted	\$11	\$88	(\$77)	(87.4%)	(\$33)	\$44	133.4%	\$487	\$685	(\$198)	(28.9%)	(\$1,073)	\$1,560	145.4%
EBITDA, adjusted %	1.1%	8.2%		(7.1%)	(3.2%)		4.3%	4.7%	6.2%		(1.6%)	(11.5%)		16.1%
Change in Deferred Revenue	498				328	170	51.8%	1,189				1,122	67	6.0%
Adjusted Cash EBITDA	\$509				\$295	\$214	72.6%	\$1,676				\$49	\$1,627	3,290.0%
Adj. Cash EBITDA %	50.2%				28.1%		22.1%	16.0%				0.5%		15.5%

(1) Opening balance sheet entries made on 8/15/2019
(2) OBS entires decreased MTD Revenue by \$52K and YTD Revenue by \$277K
(3) OBS entires added approximately \$1,214K of amortization of Goodwill and other purchase price accounting intangibles
The impact of ASC 606 is not reflected in the above numbers and will be restated in conjunction with the year-end audit.

Management Discussion

- Revenue:
 - Strong finish to 2019 with 6 new logos-2 SaaS & 4 Subscription and several upsells resulting in bookings and increased ARR of \$858K.
 - Outperformed budgeted renewal rate in 2019 finishing the year at 93%.
 - Lower subscription revenue from new license sales primarily due to:
 - Lower than expected bookings, timing of contracts and downward pressure on initial subscription deal size versus initial perpetual deal size.
 - H1 Marketing spend pull back.
 - Perpetual revenue came in on budget for 2019 due to a large upsell in December and a true-up royalty payment that was received.
 - \$260K of services contracted in December creating a solid backlog of services to be delivered in H1. Underperformed in creating demand for new projects and driving revenue from existing customer base in 2019.
- Cost of Goods Sold:
 - Favorable MTD and YTD variance due to lower costs associated with international contractor performing services work.
- Operating Expense:
 - R&D – Favorable MTD variance due to timing of CPO hire and lower cost from the outsourced development team due to holiday scheduling. Slight YTD unfavorable variance due to travel expense and hosting cost.
 - Sales & Marketing – Unfavorable MTD variance in sales due to timing of employee expense report submissions and software purchases. High Dec sales also caused an increase in commission expense for the month. YTD sales commission under budget by \$180K due to lower than expected bookings in 2019. Also contributing to the favorable YTD sales variance are labor cost savings due to timing of replacement hire and the elimination of discretionary travel in H1. 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 – MTD favorable variance due to year-end accrual reversals and timing of expenses related to options and the all-company gathering. YTD favorable variance due to cost savings from outsourcing IT for a portion of the year, lower than anticipated legal expense in 2019 and unused accruals that were reversed.

Summary P&L – 4th Quarter 2019

\$000's	Summary P&L QTD Dec-19						
	QTD		Variance		PY QTD	Variance	
	Act	Bud	\$	%	Act	\$	%
Net Revenue	\$2,705	\$3,003	(\$298)	(9.9%)	\$2,569	\$136	5.3%
ARR	\$9,342	\$10,167	(\$824)	(8.1%)	\$8,438	\$904	10.7%
Material	-	-					
Labor	416	446	30	7.1%	433	17	4.2%
Other COGS	28	19	(9)	(33.3%)	41	13	44.5%
Total COGS	\$444	\$464	\$20	4.6%	\$474	\$30	6.7%
Gross Margin	\$2,261	\$2,539	(\$277)	(10.9%)	\$2,095	\$166	7.9%
Gross Margin %	83.6%	84.5%		(1.0%)	81.6%		2.0%
R&D	888	903	16	1.8%	1,000	112	12.6%
Sales & Marketing	904	752	(153)	(16.9%)	800	(104)	(11.5%)
Administrative	524	544	20	3.9%	519	(5)	(0.9%)
Total OPEX (excl D&A)	\$2,315	\$2,199	(\$117)	(5.0%)	\$2,319	\$3	0.1%
Total OPEX (excl D&A) %	85.6%	73.2%		(12.4%)	90.3%		4.7%
Net Income (Loss)	(\$1,090)	\$75	(\$1,165)	(1,548.6%)	(\$78)	\$78	(100.0%)
Reported EBITDA	(\$54)	\$340	(\$394)	(115.9%)	(\$224)	\$169	75.8%
EBITDA Margin %	-2.0%	11.3%		(13.3%)	-8.7%		6.7%
EBITDA, adjusted	\$81	\$431	(\$350)	(81.3%)	(\$182)	\$263	144.3%
EBITDA, adjusted %	3.0%	14.4%		(11.4%)	-7.1%		10.1%
Change in Deferred Revenue	583				350	233	66.5%
Adj. Cash EBITDA	\$664	\$431			\$168	\$496	295.1%
Adj. Cash EBITDA %	24.5%				6.5%		18.0%

(1) Opening balance sheet entries made on 8/15/2019

(2) OBS entires decreased QTD Revenue by \$173K

The impact of ASC 606 is not reflected in the above numbers and will be restated in conjunction with the year-end audit.

Management Discussion

- Revenue:**
 - Strong finish to 2019 with 6 new logos-2 SaaS & 4 Subscription and several upsells resulting in bookings and increased ARR of \$858K.
 - Outperformed budgeted renewal rate in 2019 finishing the year at 93%.
 - Lower subscription revenue from new license sales primarily due to:
 - Lower than expected bookings, timing of contracts and downward pressure on initial subscription deal size versus initial perpetual deal size.
 - H1 Marketing spend pull back.
 - Perpetual revenue came in on budget for 2019 due to a large upsell in December and a true-up royalty payment that was received.
 - \$260K of services contracted in December creating a solid backlog of services to be delivered in H1. Underperformed in creating demand for new projects and driving revenue from existing customer base in 2019.
- Cost of Goods Sold:**
 - Favorable QTD variance due to lower costs associated with international contractor performing services work
- Operating Expense:**
 - R&D – Favorable QTD variance due to timing of CPO hire and lower cost from the outsourced development team due to holiday scheduling. Slight QTD unfavorable variance due to travel expense and hosting cost.
 - Sales & Marketing – Unfavorable QTD variance in sales due to timing of employee expense report submissions and software purchases. High Dec sales also caused an increase in commission expense for the quarter. QTD unfavorable variance in marketing due to increased spend on Google AdWords, trade shows and additional technology to boost lead generation.
 - G&A – QTD favorable variance due to year-end accrual reversals and timing of expenses related to options and the all-company gathering. In addition, QTD legal expense was lower than anticipated.

Balance Sheet

\$000's	2019 Monthly Balance Sheet											
	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	Dec-19 Actual
Current Assets												
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	\$ 3,793
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	2,481
Prepaid expenses and other current assets	87	127	158	163	108	81	74	104	80	131	129	149
Total Current Assets	\$ 3,106	\$ 2,936	\$ 3,733	\$ 3,765	\$ 3,678	\$ 4,357	\$ 4,013	\$ 5,786	\$ 6,074	\$ 5,598	\$ 5,829	\$ 6,423
Non-Current Assets												
Property, plant & equipment, gross	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 472	\$ 205	\$ 205	\$ 205	\$ 205	\$ 205
Accumulated depreciation	(237)	(237)	(237)	(237)	(237)	(237)	(237)	(2)	(6)	(10)	(14)	(18)
Property, plant & equipment, net	235	235	235	235	235	235	235	203	199	195	191	187
Identifiable intangible assets, gross	-	-	-	-	-	-	-	29,446	29,446	29,446	29,446	29,446
Accumulated amortization	-	-	-	-	-	-	-	(135)	(405)	(674)	(944)	(1,214)
Identifiable intangible assets, net	-	-	-	-	-	-	-	29,311	29,042	28,772	28,502	28,232
Deferred financing cost	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	469	469	469	469	469	469	469	-	-	-	-	-
Other non-current assets	125	125	125	125	125	125	125	-	-	-	-	-
Total Non-Current Assets	\$ 828	\$ 828	\$ 828	\$ 828	\$ 828	\$ 828	\$ 828	\$ 29,514	\$ 29,240	\$ 28,967	\$ 28,693	\$ 28,419
Total Assets	\$ 3,934	\$ 3,764	\$ 4,562	\$ 4,593	\$ 4,506	\$ 5,185	\$ 4,841	\$ 35,300	\$ 35,314	\$ 34,565	\$ 34,521	\$ 34,842
Current Liabilities												
Accounts payable	242	171	177	195	115	163	180	207	266	254	188	227
Accrued liabilities	303	249	362	352	326	467	410	518	502	386	377	545
Deferred Revenue	5,236	5,122	5,431	5,457	5,502	6,057	5,745	5,720	6,043	5,744	6,128	6,626
Other current liabilities	110	110	110	110	110	110	110	1	4	6	8	9
Total Current Liabilities	\$ 5,891	\$ 5,652	\$ 6,081	\$ 6,115	\$ 6,053	\$ 6,797	\$ 6,445	\$ 6,446	\$ 6,815	\$ 6,389	\$ 6,700	\$ 7,407
Long-term liabilities												
Long-term debt less current maturities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500
Deferred income taxes	-	-	-	-	-	-	-	2,059	2,059	2,059	2,059	2,059
Other non-current liabilities	-	-	-	-	-	-	-	1,890	1,890	1,890	1,890	1,890
Total Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,449	\$ 12,449	\$ 12,449	\$ 12,449	\$ 12,449
Total Liabilities	\$ 5,891	\$ 5,652	\$ 6,081	\$ 6,115	\$ 6,053	\$ 6,797	\$ 6,445	\$ 18,895	\$ 19,263	\$ 18,838	\$ 19,149	\$ 19,856
Shareholders' Equity												
Common stock	\$ 2,411	\$ 2,411	\$ 2,411	\$ 2,411	\$ 2,411	\$ 2,419	\$ 2,419	\$ 16,542	\$ 16,542	\$ 16,567	\$ 16,567	\$ 16,567
Retained earnings	(4,368)	(4,299)	(3,931)	(3,933)	(3,959)	(4,031)	(4,023)	(137)	(492)	(841)	(1,195)	(1,581)
Total Shareholders' Equity	\$ (1,957)	\$ (1,887)	\$ (1,519)	\$ (1,521)	\$ (1,547)	\$ (1,612)	\$ (1,604)	\$ 16,406	\$ 16,051	\$ 15,727	\$ 15,372	\$ 14,986
Total Liabilities and Shareholders' Equity	\$ 3,934	\$ 3,764	\$ 4,562	\$ 4,593	\$ 4,506	\$ 5,185	\$ 4,841	\$ 35,300	\$ 35,314	\$ 34,565	\$ 34,521	\$ 34,842

Management Discussion

- Opening balance sheet entries made on 8/15/2019
- Intangible assets include Goodwill (\$19.8M, Technology (\$2.3M), Customer Relationships (\$6.1M), and Trademark (\$1.2M).
- Other non-current liabilities represents earnout provision which has target date of 12/31/2020
- Deferred revenue was reduced \$500K via opening balance sheet accounting entries as a result of the revaluation of deferred revenue to fair value by a third-party valuation specialist (VRC) in conjunction with the transaction.
- Current Balance Sheet does not reflect the impact of ASC 606. Deferred revenue will be restated for ASC 606 in conjunction with the year-end audit.

Cash Flow Statement

\$000's

\$000's	2019 Monthly Cash Flow													
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	YTD	
Cash flow from operations	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Dec-19	
Net Income (Loss)	\$ (125)	\$ 69	\$ 368	\$ (2)	\$ (26)	\$ (72)	\$ 8	\$ (379)	\$ (355)	\$ (349)	\$ (355)	\$ (386)	\$ (1,603)	
Depreciation, amortization and other	-	-	-	-	-	-	-	(100)	274	274	274	274	995	
Change in operating assets and liabilities:														
Accounts receivable	870	295	(983)	410	367	(926)	172	(460)	(241)	1,110	(437)	(380)	(204)	
Prepaid expenses and other current assets	34	(40)	(31)	(4)	55	27	7	(30)	24	(51)	2	(17)	(25)	
Accounts payable	85	(71)	7	18	(80)	47	17	27	59	(12)	(66)	39	70	
Accrued expenses	(30)	(54)	114	(11)	(26)	142	(57)	108	(16)	(116)	(9)	168	212	
Other cash flow from operations	(201)	(114)	309	26	45	555	(312)	(134)	326	(297)	386	496	1,085	
Total Cash Flow from Operations	\$ 632	\$ 85	\$ (216)	\$ 437	\$ 335	\$ (228)	\$ (165)	\$ (970)	\$ 71	\$ 558	\$ (205)	\$ 195	\$ 530	
Cash flow from investing														
Additions to property, plant and equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267	\$ -	\$ -	\$ -	\$ -	\$ 267	
Investment in intangibles	-	-	-	-	-	-	-	(29,446)	-	-	-	-	(29,446)	
Other cash flow from investing	-	-	-	-	-	-	-	594	-	-	-	-	594	
Total Cash Flow from Investing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (28,585)	\$ -	\$ -	\$ -	\$ -	\$ (28,585)	
Cash flow from financing														
Proceeds from the issuance of debt	-	-	-	-	-	-	-	8,500	-	-	-	-	8,500	
Common stock issued (repurchased)	-	-	-	-	-	7	-	14,074	-	25	-	-	14,106	
Other cash flow from financing	-	-	-	-	-	-	-	8,264	-	-	-	-	8,264	
Total Cash Flow from Financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ -	\$ 30,838	\$ -	\$ 25	\$ -	\$ -	\$ 30,870	
Net change in cash	\$ 632	\$ 85	\$ (216)	\$ 437	\$ 335	\$ (220)	\$ (165)	\$ 1,283	\$ 71	\$ 582	\$ (205)	\$ 195	\$ 2,815	
Beginning cash	979	1,611	1,696	1,480	1,918	2,252	2,032	1,867	3,150	3,221	3,803	3,599	979	
Change in cash	632	85	(216)	437	335	(220)	(165)	1,283	71	582	(205)	195	2,815	
Ending cash	\$ 1,611	\$ 1,696	\$ 1,480	\$ 1,918	\$ 2,252	\$ 2,032	\$ 1,867	\$ 3,150	\$ 3,221	\$ 3,803	\$ 3,599	\$ 3,793	\$ 3,793	

The impact of ASC 606 is not reflected in the above numbers and will be restated in conjunction with the year-end audit.

Management Discussion

- Opening balance sheet (OBS) entries were made in August 2019 resulting in investing and financing cash flow that month.
- OBS entries caused an artificial decrease in cash flow from operations due to 1) Deferred Revenue Haircut (\$500K), 2) Revenue decline due to #1, 3) Deferred Rent / Lease Incentive Write off (\$110K), and 4) A/D write off (\$235K). Cash flow from operations prior to OBS entries was \$1,459K.
- “Other Cash Flows from Operations” consists of deferred revenue and deferred lease incentives. Deferred revenue makes up the majority.

Transaction Related and 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	18	21
Purchase Price Allocation Report	-	-	-	-	-	-	-	-	10	-	9	-	19
Industry Specialist	-	-	-	-	-	-	-	-	49	28	25	6	108
Beckway Consultants	-	-	-	-	-	-	-	-	78	-	-	-	78
Ethics Hotline	-	-	-	-	-	-	-	-	7	-	-	-	7
Monitoring Fees	-	-	-	-	-	-	-	-	-	-	-	30	30
Total	(4)	(8)	41	(8)	(9)	18	1	111	144	28	56	54	424

Management Discussion

- **Stock Compensation Expense:** Transaction related additional compensation
- **Out of Period Employee Raises:** Retro pay for employees related to raises prior to 2019
- **Charitable Contributions:** Discretionary management charitable contributions
- **Management Liability Runoff Insurance:** Increase in budgeted run rate for Liability Insurance Policies purchased at close
- **Opening Balance Sheet Audit:** OBS Audit Fees
- **Purchase Price Allocation Report:** Fees for Purchase Price Allocation work with Valuation Research Corporation
- **Industry Specialist:** Consulting fees for Rob Levy
- **Beckway Consultants:** Consulting fees for Core Model and Financial Reporting requirements
- **Ethics Hotline:** Purchase of Navex Software for Anonymous Ethics Hotline
- **Monitoring Fees:** OpenGate monitoring fees (December 2019 relates to 2019 travel costs for OpenGate)

Operating Expense Summary – December 2019 MTD & YTD

\$000's

	OPEX Summary MTD Dec-19								OPEX Summary YTD Dec-19							
	MTD		Variance		PY MTD	Variance			YTD		Variance		PY YTD	Variance		
	Act	Bud	\$	%	Act	\$	%		Act	Bud	\$	%	Act	\$		
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)	\$ 306	\$ 400	\$ 94	30.6%	\$ 397	\$ 91	29.7%		\$ 4,391	4,546	\$ 155	3.5%	\$ 4,493	\$ 102		
Benefits (Medical, Dental, Life, AD&D & 401K)	76	83	7	8.6%	83	7	9.7%		847	879	32	3.8%	959	112		
Bonus	17	8	(9)	(55.4%)	11	(6)	(36.7%)		70	67	(3)	(4.7%)	75	4		
Marketing	67	44	(22)	(33.7%)	34	(33)	(49.5%)		677	611	(66)	(9.8%)	652	(24)		
Commissions	166	97	(69)	(41.4%)	134	(32)	(19.0%)		568	748	180	31.7%	558	(10)		
Travel and Entertainment	62	29	(33)	(53.0%)	52	(10)	(16.2%)		294	303	9	2.9%	353	59		
Rent and Facilities	38	49	11	29.7%	63	24	64.1%		372	366	(6)	(1.6%)	367	(5)		
Insurance	7	-	(7)	(100.0%)	0	(6)	(93.2%)		95	65	(30)	(31.5%)	51	(44)		
Professional Fees	51	48	(3)	(5.3%)	56	5	10.1%		755	813	59	7.8%	529	(226)		
Utilities, Repairs, Maint. & Security	4	4	0	2.2%	4	0	0.1%		36	36	0	0.0%	36	(0)		
Office Supplies	1	1	0	31.0%	1	0	24.3%		7	10	3	45.7%	11	4		
IT	64	31	(33)	(51.7%)	59	(5)	(8.4%)		356	391	35	9.9%	406	50		
Bad Debt	10	-	(10)	(100.0%)	-	(10)	(100.0%)		29	-	(29)	(100.0%)	13	(16)		
Real Estate Taxes	-	-	-	0.0%	-	-	0.0%		-	-	-	0.0%	-	-		
Other Expenses	29	34	5	18.6%	83	54	184.9%		148	107	(41)	(27.8%)	226	79		
Total OPEX	\$896	\$828	(\$68)	(7.6%)	\$976	\$80	8.9%		\$8,644	\$8,942	\$298	3.4%	\$8,729	\$84		
<i>OPEX % of Revenue</i>	<i>88.5%</i>	<i>77.4%</i>		<i>(11.1%)</i>	<i>93.2%</i>		<i>4.7%</i>		<i>82.6%</i>	<i>81.3%</i>		<i>(1.3%)</i>	<i>93.5%</i>			

(1) Opening balance sheet entries made on 8/15/2019

(2) OBS Entries added \$20K of additional expense in YTD Dec 2019

Management Discussion

- Favorable variance in payroll & benefits due to timing of 2019 hires, less than anticipated international contractor labor costs and year-end accrual reversals.
- Unfavorable variance in marketing due to increased spend on Google AdWords, trade shows and additional technology to boost lead generation.
- 2019 sales commission under budget by \$180K due to lower than expected bookings.
- Insurance cost over budget in 2019 due to new policies and additional coverage obtained with the transaction.
- Legal expense was less than anticipated in 2019 causing a favorable variance in professional fees.
- Favorable variance in IT due to cost savings from outsourcing IT for a portion of the year and hosting being under budget in H1.

Operating Expense Summary – December 2019 QTD

\$000's

\$000's	OPEX Summary QTD Dec-19							
	QTD		Variance		PY QTD	Variance		
	Act	Bud	\$	%	Act	\$	%	
Payroll (Payroll, OT, SS & Taxes, Temp Labor, Share Options)	\$ 1,005	\$ 1,105	\$ 100	9.9%	\$ 1,089	\$ 84	8.4%	
Benefits (Medical, Dental, Life, AD&D & 401K	215	227	12	5.4%	246	30	14.0%	
Bonus	26	17	(9)	(34.9%)	24	(2)	(6.2%)	
Marketing	181	103	(77)	(42.7%)	88	(93)	(51.5%)	
Commissions	198	188	(10)	(5.0%)	185	(13)	(6.6%)	
Travel and Entertainment	124	80	(43)	(35.1%)	112	(12)	(9.5%)	
Rent and Facilities	106	109	2	2.0%	120	13	12.5%	
Insurance	34	-	(34)	(100.0%)	0	(34)	(98.7%)	
Professional Fees	199	225	26	12.9%	159	(40)	(19.9%)	
Utilities, Repairs, Maint. & Security	9	9	0	0.7%	9	(0)	(0.2%)	
Office Supplies	2	3	1	25.5%	2	(0)	(2.4%)	
IT	123	87	(36)	(29.4%)	141	18	14.6%	
Bad Debt	29	-	(29)	(100.0%)	-	(29)	(100.0%)	
Real Estate Taxes	-	-	-	0.0%	-	-	0.0%	
Other Expenses	64	46	(18)	(28.1%)	144	80	124.5%	
Total OPEX	\$2,315	\$2,199	(\$117)	(5.0%)	\$2,319	\$3	0.1%	
OPEX % of Revenue	228.6%	205.4%		(23.2%)	221.5%		(7.1%)	

(1) Opening balance sheet entries made on 8/15/2019

Management Discussion

- Favorable variance in payroll & benefits due to timing of 2019 hires, less than anticipated international contractor labor costs, timing of expenses related to options and year-end accrual reversals.
- Unfavorable variance in marketing due to increased spend on Google AdWords, trade shows and additional technology to boost lead generation.
- Strong finish to the year caused an increase in commission expense for the quarter.
- Unfavorable variance in T&E due to timing of expense reports submissions.
- Insurance cost over budget in Q4 due to increase in cost of new policies and additional coverage obtained with the transaction as well as management liability runoff insurance obtained as a result of the transaction.
- Legal expense was less than anticipated in 2019 causing a favorable variance in professional fee
- Unfavorable variance in Q4 IT due to timing of software purchases as well as laptops and computer accessories purchased for new hires.

Quarterly 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 contract complete. Go-live scheduled for Q1 2020.

Internal Control & Authority Matrix

- Complete

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 identified a lack of segregation of duties. This is being addressed with the addition of the Accounting Manager
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	None

Quarterly Operating Plan Agenda

- Executive Summary
- Financial Review
- Governance Reporting
- Appendix

Full Year P&L Bridge (Pre & Post-OBS Entries)

\$000's	2019 (Post OBS Entries)				2019 (Pre OBS Entries)				Variance		
	FY		Variance		FY		Variance		Variance		Note
	Act	Bud	\$	%	Act	Bud	\$	%	\$	%	
Net Revenue	\$10,464	\$11,004	(\$540)	(4.9%)	\$10,741	\$11,004	(\$263)	(2.4%)	(\$277)	(2.6%)	(1)
ARR	\$9,342	\$10,167	(\$824)	(8.1%)	\$9,968	\$10,167	(\$199)	(2.0%)	(\$625)	(6.3%)	(2)
Labor	1,679	1,757	78	4.7%	1,679	1,757	78	4.7%	-	0.0%	
Other COGS	75	74	(1)	(1.5%)	75	74	(1)	(1.5%)	-	0.0%	
Total COGS	\$1,754	\$1,831	\$77	4.4%	\$1,754	\$1,831	\$77	4.4%	\$0	0.0%	
Gross Margin	\$8,710	\$9,173	(\$463)	(5.0%)	\$8,987	\$9,173	(\$186)	(2.0%)	(\$277)	(3.1%)	
Gross Margin %	83.2%	83.4%		(0.1%)	83.7%	83.4%		0.3%		(0.4%)	
R&D	3,539	3,521	(18)	(0.5%)	3,539	3,521	(18)	(0.5%)	-	0.0%	
Sales & Marketing	3,115	3,278	162	5.2%	3,115	3,278	162	5.2%	-	0.0%	
Administrative	1,990	2,144	154	7.7%	1,969	2,144	175	8.9%	21	1.0%	(3)
Total OPEX (excl D&A)	\$8,644	\$8,943	\$298	3.4%	\$8,624	\$8,943	\$319	3.7%	\$21	0.2%	
Total OPEX (excl D&A) %	82.6%	81.3%		(1.3%)	80.3%	81.3%		1.0%		2.3%	
Net Income (Loss)	(\$1,603)	(\$247)	(\$1,356)	550.1%	(\$91)	(\$247)	\$156	63.1%	(\$1,512)	1,660.7%	(4)
Reported EBITDA	\$66	\$230	(\$165)	(71.4%)	\$363	\$230	\$133	57.8%	(\$298)	(81.9%)	
EBITDA Margin %	0.6%	2.1%		(1.5%)	3.4%	2.1%		1.3%		(2.8%)	
EBITDA, adjusted	\$487	\$685	(\$198)	(28.9%)	\$785	\$685	\$99	14.5%	(\$298)	(37.9%)	
EBITDA, adjusted %	4.7%	6.2%		(1.6%)	7.3%	6.2%		1.1%		(2.7%)	

Note: These numbers do not reflect the impact of ASC606 which will be completed in conjunction with the year-end audit.

Management Discussion

- (1) Deferred Revenue haircut (9.0% for SaaS, Subscription, & Maintenance. 12.6% for Consulting). Amount of haircut and % reduction by product type determined by third party valuation specialist (VRC). Haircut results in a reduction of FY 2019 revenue of \$277K. Refer to the slide 34 for a breakout of the revenue variance by product type.
- (2) Deferred Revenue haircut discussed above caused a decrease in revenue of \$52K in December 2019. This caused a decrease in ARR by \$625K (e.g. \$52K * 12 months).
- (3) OBS entries added \$21K of expense (\$7K additional bad debt and \$11K of rent). Increase in rent expense caused by a recalculation of deferred rent as of 8/15/2019.
- (4) OBS entries added approximately \$29M of intangible assets to the balance sheet. These assets are amortized over various lives (between 6 and 10 years). The amortization of these intangible assets added \$1,214K of below the line expense in 2019.

Full Year Revenue Bridge (Pre & Post-OBS Entries)

\$000's

\$000's	2019 (Post OBS Entries)				2019 (Pre OBS Entries)				Variance		
	YTD		Variance		YTD		Variance		Variance		Haircut
	Act	Bud	\$	%	Act	Bud	\$	%	\$	%	
Revenue											
<i>Recurring</i>											
Saas/Subscription - New	2,013	2,610	(\$596)	(22.8%)	2,075	2,610	(\$534)	(20.5%)	(\$62)	(3.0%)	9.0%
Saas/Subscription - Renewal	2,149	2,151	(1)	(0.1%)	2,220	2,151	69	3.2%	(71)	(3.2%)	9.0%
Maintenance & Support - New	308	244	65	26.6%	317	244	73	30.0%	(8)	(2.6%)	9.0%
Maintenance & Support - Renewal	4,201	3,817	384	10.0%	4,330	3,817	513	13.4%	(129)	(3.0%)	9.0%
<i>Total Recurring Revenue</i>	\$8,672	\$8,821	(\$149)	(1.7%)	\$8,942	\$8,821	\$121	1.4%	(\$270)	(3.0%)	
Perpetual	1,073	1,100	(27)	(2.5%)	1,073	1,100	(27)	(2.5%)	-	0.0%	0.0%
Consulting	719	1,083	(363)	(33.6%)	726	1,083	(356)	(32.9%)	(7)	(0.9%)	12.6%
Total Revenue	\$10,464	\$11,004	(\$540)	(4.9%)	\$10,741	\$11,004	(\$263)	(2.4%)	(\$277)	(2.6%)	
ARR	\$9,342	\$10,167	(\$824)	(8.1%)	\$9,968	\$10,167	(\$199)	(2.0%)	(\$625)	(6.3%)	

Management Discussion

- Deferred Revenue haircut (9.0% for SaaS, Subscription, & Maintenance. 12.6% for Consulting). Amount of haircut and % reduction by product type determined by third party valuation specialist (VRC). Haircut results in a reduction of FY 2019 revenue of \$277K.
- A majority of the remaining \$233K of the original deferred revenue haircut (\$500K total) will impact 2020 revenue.

Note: These numbers do not reflect the impact of ASC606 which will be completed in conjunction with the year-end audit.

Monthly P&L

\$000's

	2019												FY		Var		PY	Var	
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Act	Budget	\$	%	ACT	\$	%
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Act	Budget	\$	%	ACT	\$	%
Net Revenue	\$745	\$796	\$1,231	\$778	\$793	\$878	\$845	\$811	\$880	\$862	\$831	\$1,013	\$10,464	\$11,004	(\$540)	(4.9%)	\$9,336	\$1,128	12.1%
ARR	\$8,202	\$7,867	\$8,502	\$8,182	\$8,392	\$8,452	\$9,301	\$9,016	\$8,629	\$9,286	\$8,891	\$9,342	\$9,342	\$10,167	(824)	(8.1%)	\$8,438	904	10.7%
Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Labor	138	147	142	141	144	137	142	129	141	143	134	139	1,679	1,757	78	4.7%	1,671	(8)	(0.5%)
Other COGS	4	2	7	4	4	9	4	7	4	(7)	17	18	75	74	(1)	(1.5%)	70	(5)	(6.4%)
Total COGS	\$143	\$149	\$149	\$145	\$148	\$147	\$146	\$137	\$145	\$136	\$152	\$157	\$1,754	\$1,831	\$77	4.4%	\$1,741	(\$13)	(0.7%)
Gross Margin	\$602	\$648	\$1,082	\$633	\$645	\$731	\$699	\$675	\$734	\$726	\$679	\$856	\$8,710	\$9,173	(\$463)	(5.0%)	\$7,595	\$1,115	14.7%
Gross Margin %	80.8%	81.3%	87.9%	81.4%	81.3%	83.3%	82.7%	83.1%	83.5%	84.3%	81.8%	84.5%	83.2%	83.4%		(0.1%)	81.4%		1.9%
R&D	313	277	283	298	295	293	292	293	307	289	295	303	3,539	3,521	(18)	(0.5%)	3,692	153	4.3%
Sales & Marketing	243	186	259	198	251	326	223	281	245	254	223	427	3,115	3,278	162	5.2%	3,337	221	7.1%
Administrative	162	106	160	128	101	133	142	271	263	159	199	166	1,990	2,144	154	7.7%	1,700	(290)	(14.6%)
Total OPEX (excl D&A)	718	568	702	624	647	752	658	845	814	702	717	896	8,644	8,943	298	3.4%	8,729	84	1.0%
Total OPEX (excl D&A) %	96.4%	71.4%	57.0%	80.2%	81.6%	85.6%	77.8%	104.2%	92.6%	81.5%	86.3%	88.5%	82.6%	81.3%		(1.3%)	93.5%		10.9%
Net Income (Loss)	(\$125)	\$69	\$368	(\$2)	(\$26)	(\$72)	\$8	(\$379)	(\$355)	(\$349)	(\$355)	(\$386)	(\$1,603)	(\$247)	(\$1,356)	(550.1%)	(\$977)	(\$626)	(64.1%)
Reported EBITDA	(\$116)	\$79	\$380	\$9	(\$2)	(\$21)	\$41	(\$171)	(\$80)	\$24	(\$38)	(\$40)	\$66	\$230	(\$165)	(71.4%)	(\$1,134)	\$1,200	(105.8%)
EBITDA Margin %	(15.5%)	9.9%	30.8%	1.1%	(0.3%)	(2.4%)	4.9%	(21.0%)	(9.1%)	2.8%	(4.5%)	(4.0%)	0.6%	2.1%		(1.5%)	(12.1%)		10.7%
EBITDA, adjusted	(\$119)	\$72	\$420	\$1	(\$11)	(\$3)	\$42	(\$60)	\$64	\$51	\$18	\$11	\$487	\$685	(\$198)	(28.9%)	(\$1,073)	\$1,560	145.4%
EBITDA, adjusted %	(16.0%)	9.0%	34.1%	0.1%	(1.4%)	(0.3%)	5.0%	(7.3%)	7.3%	6.0%	2.2%	1.1%	4.7%	6.2%		(1.6%)	(11.5%)		9.9%
Change in Deferred Revenue	(201)	(114)	309	26	45	555	(312)	(25)	323	(299)	385	498	1,189						
Adjusted Cash EBITDA	(\$321)	(\$42)	\$729	\$27	\$34	\$552	(\$269)	(\$84)	\$387	(\$248)	\$403	\$509	\$1,676						
Adj. Cash EBITDA %	(43.0%)	(5.3%)	59.2%	3.5%	4.3%	62.8%	(31.9%)	(10.4%)	44.0%	(28.7%)	48.5%	50.2%	16.0%						

(1) Opening balance sheet entries made on 8/15/2019

(2) OBS Entries had the following YTD net income effects: (\$1,214K) amortization, (\$277K) revenue, (\$9K) bad debt, (\$11K) rent.

(3) OBS Entries decreased December recurring revenue by \$52K, therefore, ARR was decreased \$626K (e.g. \$52K * 12)

Note: These numbers do not reflect the impact of ASC606 which will be completed in conjunction with the year-end audit.

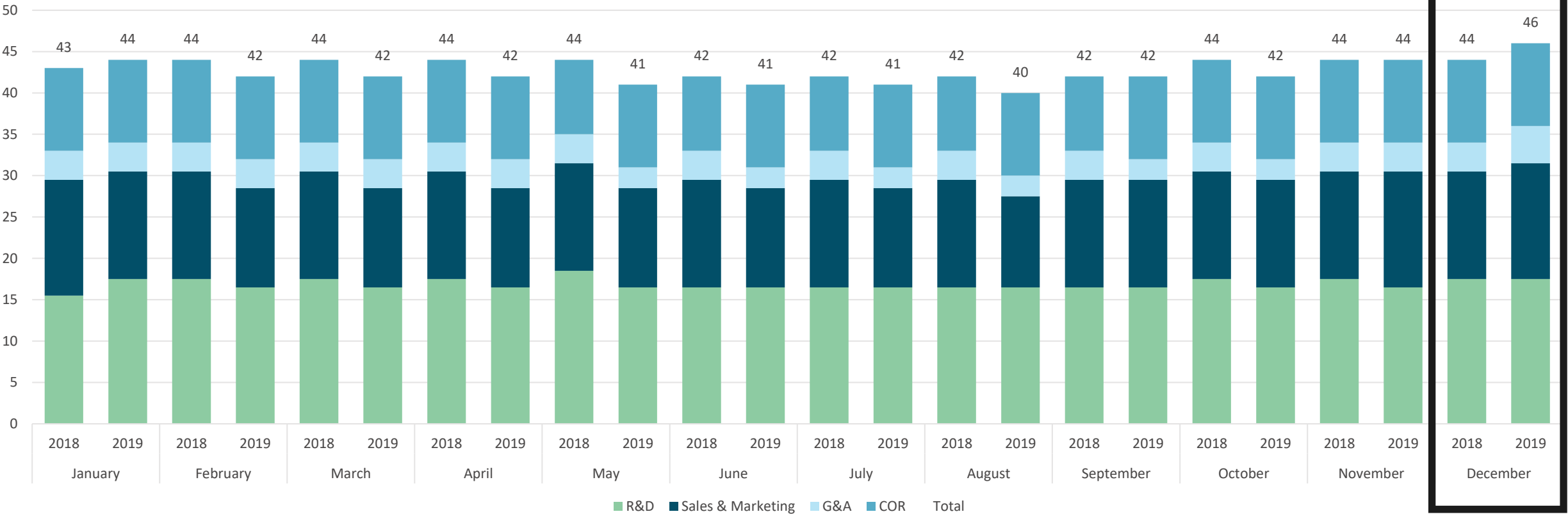
AR & AP Aging

A/R Aging				
Age	Oct-19	Nov-19	Dec-19	
0-30	\$ 1,284	\$ 1,563	\$ 1,780	
30-60	129	329	423	
60-90	104	95	187	
>90	146	114	91	
Gross A/R	\$ 1,663	\$ 2,101	\$ 2,481	
Reserve	-	-	-	
Net A/R	\$ 1,663	\$ 2,101	\$ 2,481	

A/P Aging				
Age	Oct-19	Nov-19	Dec-19	
0-30	\$ 249	\$ 180	\$ 227	
30-60	-	2	-	
60-90	5	-	-	
>90	-	5	-	
Total A/P	\$ 254	\$ 188	\$ 227	

Headcount by Month

Headcount (2018-2019)



Management Discussion

- Added Chief Product Officer and IT Operations Manager in December 2019