



KnowRisk | Diligence Memo

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THIS DEAL SUMMARY IS NOT AN INVESTMENT RECOMMENDATION. IT IS ONLY A SUMMARY OF A LIMITED REVIEW PERFORMED BY OUR MEMBERS. YOU MUST MAKE YOUR OWN THOROUGH REVIEW OF ALL INFORMATION INCLUDING THE OPPORTUNITY TO SPEAK WITH REPRESENTATIVES OF THE COMPANY. IT IS YOUR RESPONSIBILITY TO MAKE YOUR OWN INVESTMENT DETERMINATION BASED ON YOUR OWN INDEPENDENT EVALUATION OF THE COMPANY AND ITS PROSPECTS. ALL ANGEL INVESTMENTS ARE HIGHLY SPECULATIVE.

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EXECUTIVE SUMMARY

KnowRisk is an AI-driven software company transforming the insurance claims process by automating claims correspondence letters with high accuracy and compliance. Insurance adjusters often struggle with crafting legally precise and policy-compliant claims letters due to the complexity of policy language, leading to errors, litigation, and inefficiencies. KnowRisk's platform streamlines this process by reducing the time required for adjusters to draft letters from 30–60 minutes to under three minutes while ensuring consistency and quality. By leveraging AI for smart policy analysis, automated document assembly, and error-free claim letters, KnowRisk enhances efficiency, lowers costs, and improves compliance for insurance carriers and third-party administrators.

The company has already secured three paying insurance carriers—Slide, Heritage (a publicly traded company), and Storm King—along with multiple third-party administrators. It generated \$5,500 in revenue in October, increasing to \$17,800 in November, with projected recurring revenue of \$22,000 per month from its current customer base. With three ongoing pilots and a growing sales pipeline, KnowRisk is positioned for significant expansion. Looking ahead, the company aims to extend its AI solutions beyond P&C claims into additional insurance lines such as auto, liability, and medical, after fully deploying the standalone P&C tool. With plans to raise a \$5M Series Seed round at a \$20M pre-money valuation, KnowRisk seeks to accelerate sales, scale operations, and maintain its first-mover advantage in AI-powered insurance claim automation.

INVESTMENT ASSESSMENT

Investment Strengths

- **Strong Team with the Ideal Mix of Expertise** – KnowRisk's leadership combines deep technical expertise with industry-specific experience. CEO Yo Sub Kwon has a proven track record in AI, cybersecurity, and fintech, founding and exiting multiple companies. Bryan Layne brings 15 years of insurance industry experience, including claims adjustment and risk management. Cylus Watson adds business strategy expertise from his background in blockchain and hedge funds.
- **Clear Market Need and High-Value Problem Solving** – The insurance industry struggles with slow, error-prone claims correspondence. KnowRisk's AI-powered solution reduces letter drafting time from 30–60 minutes to under 3 minutes, significantly increasing efficiency, accuracy, and compliance.

- **Proven Revenue Growth and Market Traction** – The company has already secured three paying carriers, including the publicly traded Heritage Insurance, along with third-party administrators. Revenue grew from \$5,500 in October to \$17,800 in November, with a projected \$22,000 per month in non-catastrophe revenue.
- **Strong Pipeline with Scalable Expansion Potential** – Three ongoing pilot programs (Allied Trust, Central Insurance, and Raphael & Associates) are expected to convert into full customers. Additionally, three more carriers have verbally committed to launching pilots in 2025, with a broader sales pipeline that could lead to multi-million-dollar deals.
- **No Direct Competition Yet, with First-Mover Advantage** – Despite the obvious need for AI-driven claims processing, no existing competitors currently offer KnowRisk’s solution. Large insurtech firms have been slow to innovate in this space, allowing KnowRisk to move quickly to capture market share and solidify itself as the industry standard.
- **Expanding Market and Product Roadmap** – The company plans to launch a standalone AI-powered quality assurance tool in 2025 and expand into other insurance verticals, including auto, liability, and medical claims. Future expansion into underwriting and international markets presents additional revenue opportunities.
- **Strong Unit Economics and Cost Savings for Customers** – Insurance carriers could save millions annually by implementing KnowRisk’s solution. A Texas-based state carrier estimated it would have saved \$2.4M in one year after paying \$1.2M for KnowRisk’s services.
- **Raising Capital at the Right Time for Rapid Growth** – The company is seeking \$5M in Series Seed funding at a \$20M pre-money valuation to accelerate sales, enhance marketing efforts, scale operations, and maintain its market lead. With significant demand, additional capital will allow KnowRisk to fully capitalize on its momentum.

Investment Risks

- **Long Sales Cycles in the Insurance Industry** – Insurance carriers and third-party administrators move slowly when adopting new technology, which can delay revenue realization and create cash flow challenges. Expanding sales efforts and shortening the onboarding process will be critical.

- **Need to Scale Quickly Before Competition Emerges** – While KnowRisk currently has no direct competitors, the use case is clear, and large insurtech firms or new startups could enter the space. Capturing market share quickly and solidifying customer relationships is essential to maintaining its first-mover advantage.
- **Execution Risk in Expanding to Other Insurance Lines** – While KnowRisk’s AI is designed for property and casualty (P&C) claims, expansion into auto, liability, and medical insurance will require testing and validation. The ability to replicate success across other insurance verticals is not yet proven.
- **Customer Adoption and Retention** – While pilot customers have been positive, KnowRisk must ensure long-term customer retention and adoption across entire organizations, particularly as it shifts from pilot programs to full-scale implementations.
- **Regulatory and Compliance Considerations** – The insurance industry is heavily regulated, and KnowRisk must ensure its AI solutions remain compliant with state and federal regulations, particularly as it expands into additional markets and insurance lines.

Valuation

- **Raise**
 - \$5M raise at \$20M pre-money (likely \$25M post-money)
- **Terms**
 - 1x non-participating preferred, Standard NVCA terms
- **Amount committed for the round**
 - \$2-3M already committed
- **Cap table**

Plaid Investments LLC	3,850,000	38.50%
ZettaFi Labs, Inc	3,850,000	38.50%
Natek L.C.	300,000	3.00%
ESOP (Employee Stock Option)	2,000,000	20.00%

Cap Table Explanation: Cy and Yo originally created an entity named ZettaFi Labs, Inc. to try and build a startup. They spent a bunch of time and effort trying to make it work pivoting a few times, before stumbling across the opportunity with KnowRisk. They knew making KnowRisk work without a partner in insurance would have been nearly impossible and partnered with Bryan Layne and several others who had deep connections in insurance with carriers and experience with adjusting claims. They didn't want to completely abandon ZettaFi and the small quantity of investors we had in that original entity, so we created a JV with their insurance partners. ZettaFi is about 60% Yo and 30% Cy. Bryan Layne gets his equity through Plaid and Plaid's vesting agreement is purely contingent upon their specific relationships converting into customers for KnowRisk over 3 years time. Natek is an entity for Lincoln Garner who is

also under vesting provisions. He was the friend that first asked if claims letters could be written with AI and spent an inordinate amount of time at the beginning helping them get up to speed on insurance, testing and debugging the product, and even attending events.

- **Use of funds**
 - **Sales & Marketing Expansion** – Accelerate customer acquisition by increasing presence at industry events, expanding outbound sales efforts, and improving marketing materials.
 - **Scaling Operations** – Hire additional staff to support onboarding, customer success, and product implementation as demand grows.
 - **Product Development** – Enhance AI capabilities, improve system scalability, and develop new features, including a standalone quality assurance tool.
 - **Market Expansion** – Expand into additional insurance lines (auto, liability, medical) and explore international opportunities.
 - **Branding & Infrastructure** – Refresh branding, update the website, and invest in infrastructure to support growth.
- **Exit/ Likely Buyers**
 - KnowRisk has multiple potential exit paths, with the most likely being acquisition by a large insurtech company, insurance carrier, or enterprise AI software provider. Established insurtech firms such as Guidewire, Duck Creek, and CCC Intelligent Solutions could see KnowRisk as a valuable addition to their product suites, enabling them to enhance claims automation and AI-driven underwriting. Large insurance carriers like Progressive, Allstate, and Travelers, which have been investing heavily in AI-driven efficiencies, may also pursue an acquisition to integrate KnowRisk's technology into their internal claims processes. Additionally, enterprise AI players such as OpenAI, Palantir, or even Microsoft—who are actively expanding AI applications in regulated industries—could find strategic value in KnowRisk's proprietary models and industry-specific expertise. Given its first-mover advantage and growing customer base, KnowRisk is well-positioned to attract a strategic acquisition at a significant multiple once it achieves broader market penetration.

TEAM ASSESSMENT

Yo Sub Kwon – A veteran in AI, cybersecurity, and fintech, Yo Sub has been building highly scalable and secure systems since 2008. He previously co-founded and led multiple successful startups, including LaunchKey, Coinsetter, and Hosho Group, giving

him deep expertise in technology and enterprise security.

Cylus Watson – A serial entrepreneur with a strong background in AI, Cylus has launched a consulting firm and two hedge funds. His expertise lies in identifying emerging trends and leveraging AI technology for real-world business applications, bringing a strategic and growth-focused mindset to KnowRisk.

Bryan Layne – With an MBA and a degree in Investment Finance and Risk Management, Bryan has 15 years of experience in the insurance industry, spanning field claims adjustment, independent adjusting firms, and reinspection companies. His deep industry knowledge and extensive network are crucial for KnowRisk’s sales efforts and market penetration.

Management Discussion

KnowRisk’s leadership team has the ideal mix of technical innovation, entrepreneurial execution, and deep industry expertise to build a category-defining insurtech company. Their ability to bridge cutting-edge AI with the complex operational needs of insurance carriers has already led to customer excitement, glowing testimonials, and a growing pipeline. The team understands both the challenges of enterprise sales in a slow-moving industry and the urgency of scaling before inevitable competition emerges. They’ve demonstrated strong capital efficiency, successfully onboarding carriers with minimal resources while methodically expanding their product roadmap. With a strategic vision for both short-term execution and long-term expansion across multiple insurance verticals, this team is not just building a product—they are positioning KnowRisk as a foundational AI infrastructure layer for the insurance industry. Based on their past successes and team composition, these are founders we feel confident in betting on.

MARKET ASSESSMENT

Description of Market and Targeted Segments

“The growth capacity for our business is truly immense. Currently, we’re offering a single niche product in P&C claims. We’ve already built a working tool for grading the quality of our letters, which will become its own standalone product in 2025 as a quality assurance tool for reviewing any letters carriers wish to evaluate. We have the ability to further expand our product line within P&C claims.

There has also been interest from carriers in commercial property, flood, auto, liability, and medical insurance in our services. We intend to begin pilots to assess how well our software performs in those areas. Since our software specializes in reading policy language, theoretically it shouldn’t have problems in other fields, but we won’t know for sure until we can prove it with customers.

We can also expand to other parts of insurance beyond claims, such as underwriting or the agency side. Additionally, when we have the resources to expand globally, we can target insurance carriers that operate internationally.”

TAM (P&C only)

- P&C insurance software market size - \$21B in 2025 (9.5-11.5% CAGR)

SAM (P&C only)

- 38% in the US (\$8B)

Invest Amount Requested \$	5,000,000	Industry EBITA Multiple ×	Percent of ownership %
Required Return Multiple ×	50x	30	20%
Industry Sales Multiple %	6	Expected Dilution %	Required Exit \$
Valuation (or Cap) \$	25,000,000	36%	\$2B
Option Pool %	0	Required Return \$	Required Annual Sales \$
A Round Pool %	20	\$391M	\$326M
B Round Pool %	20	Percent of TAM %	Percent of SAM %
C Round Pool %	0	1.55%	4.07%
Other Rounds %	0		
Total Addressable Market \$	21 Billion		
Serviceable Addressable Market \$	8 Billion		
Serviceable Obtainable Market \$	Million		

TAM (expansion opportunities)

- Claims processing software market size - \$45B in 2025 (7.8% CAGR)

SAM (expansion opportunities)

- 38% in the US (\$17B)

Invest Amount Requested \$	5,000,000	Industry EBITA Multiple ×	30	Percent of ownership %	20%
Required Return Multiple ×	50x	Expected Dilution %	36%	Required Exit \$	\$2B
Industry Sales Multiple %	6	Required Return \$	\$391M	Required Annual Sales \$	\$326M
Valuation (or Cap) \$	25,000,000	Option Pool %	0	A Round Pool %	20
				B Round Pool %	20
				C Round Pool %	0
				Other Rounds %	0
Total Addressable Market \$	45	Percent of TAM %	0.72%	Percent of SAM %	1.91%
		Serviceable Addressable Market \$	17		
		Serviceable Obtainable Market \$			

Valuation Cap / Sanity Check:

There are two valuations:

1. The first is specifically for the P&C insurance software market, valued at \$21B globally in 2025 and growing at about 10% year over year. This is the tool they've already built and are pushing out into the market. The average industry sales multiple for software insurance claims solutions is 5x-7x, and the US accounts for about 38% of revenue in this space. With these figures, KnowRisk would have to capture about 1.5% of TAM and 4% of SAM to reach a 50x, at a \$2B exit figure with around \$325M in annual revenue.
2. The second is for the entire claims processing software market, valued at \$45B globally in 2025 and growing at about 8% year over year. Using the same comps as above, if KnowRisk was able to expand into commercial property, flood, auto, etc, they'd have to capture 0.7% of TAM and 1.9% of SAM to reach a 50x. This is assuming they can penetrate all claims markets with their tools, which is likely a stretch, but it provides valuable insight into just how big this market is.

KnowRisk already has a 20% option pool which helps with the valuation metrics as well.



PRODUCT / BUSINESS MODEL ASSESSMENT

Problem

For insurance adjusters, crafting claims letters that are both detailed and legally compliant while maintaining accuracy is a challenging and time-sensitive responsibility. The most challenging part is sifting through 100+ page insurance policies to find the appropriate language for the claim and citing it correctly, something LLMs are great at doing. This often leads to litigation due to mistakes, contributes to low morale among staff, and incurs significant human labor costs to maintain a multi-tiered quality assurance system.

Solution

Know Risk transforms the way insurance adjusters handle claims correspondence by using AI to generate detailed, legally compliant letters in a fraction of the time. Traditionally, adjusters spend 30–60 minutes drafting each letter, manually searching through lengthy insurance policies to ensure accuracy. Their AI-driven platform reduces this process to under 3 minutes while significantly improving accuracy, consistency, and compliance. By minimizing human errors, Know Risk helps lower litigation risks, enhances staff morale, and reduces the cost of multi-tiered quality assurance systems. With seamless integration into claims management workflows, our solution allows adjusters to focus on higher-value tasks rather than spending hours on paperwork.

Target Customer Profile

KnowRisk targets **insurance carriers** and **third-party administrators (TPAs)** that manage claims processing, particularly in **property and casualty (P&C) insurance**. Ideal customers are mid-to-large-sized carriers looking to improve operational efficiency, reduce claims processing errors, and ensure compliance with policy language. The company has gained early traction with carriers handling catastrophe-related claims, where speed and accuracy are critical. As KnowRisk scales, it plans to expand into additional insurance verticals, including **auto, liability, medical, and commercial property insurance**, where similar inefficiencies exist.

Business Model

Know Risk operates on a flexible, per-claim pricing model, giving adjusters unlimited letter generation within each claim. The more claims processed, the lower the cost per claim, creating a scalable and cost-effective solution. Pricing ranges from \$10 to \$15 per claim, depending on the client's monthly volume commitment, ensuring affordability while maximizing efficiency.

Sales Process/Go-to-Market

KnowRisk's go-to-market strategy focuses on direct sales to insurance carriers and third-party administrators (TPAs), leveraging pilot programs as an entry point. The company has successfully converted pilot users into paying customers, demonstrating strong product-market fit and a clear value proposition. While the insurance industry has a notoriously slow sales cycle, KnowRisk has mitigated this by maintaining a robust pipeline and introducing a \$4,000 fee for pilots, ensuring buy-in from prospective customers. The team prioritizes industry events and executive networking to drive adoption while refining its onboarding process to accelerate customer activation. As demand grows, KnowRisk is expanding its sales efforts to target additional insurance lines and deepen penetration within existing customers, securing long-term enterprise contracts.

Product/Solution Discussion

Know Risk offers a powerful, AI-driven platform designed to enhance the efficiency of third-party claim adjusters through an intuitive and user-friendly interface. By drastically reducing the time required to draft claim letters and minimizing errors, it streamlines the claims process while improving accuracy. This solution addresses inefficiencies in the claims adjustment industry, helping both insurance companies and third-party adjusters save valuable time and reduce costs associated with legal disputes and operational inefficiencies.

COMPETITION

Competitor Analysis

3C Deutschland (Not a direct competitor)

Employees: 70

Description

Provider of process automation services intended for the claim management segment of the insurance market. The company serves as a technology partner and outsourcing service provider specializing in the organization, quality management, and monitoring and control of claims procedures, enabling clients to eliminate media disruptions and consolidate various types of claim procedures, diverse formats, and numerous communication channels ensuring quality and transparency.

Most Recent Financing Status (as of 06-Jan-2025)



The company was acquired by Riverty, a subsidiary of Arvato, for an undisclosed amount on June 27, 2018. The acquisition combines the expertise, digital and automated technologies of the two companies.

Insuresoft (Not a direct competitor)

Description:

Developer of digital insurance platforms and solutions intended to cater to property and casualty insurers of all sizes. The company's technology provides policy processing, billing administration and claims administration through its flagship platform to combine digital engagement and intelligent data and offers better process outsourcing, implementation and management services, enabling clients to manage the information with human-centered solutions easily.

Most Recent Financing Status (as of 09-Aug-2024)

The company was acquired by Volaris Group, a subsidiary of Constellation Software (TSE: CSU), for an undisclosed amount on November 21, 2019. The acquisition includes Insuresoft's flagship product, the Diamond System, a digital insurance platform comprising policy, billing, claims, and analytics modules that are utilized by property and casualty insurers. The acquisition supports Volaris' plans to continue to expand its presence in the insurance technology sector and furthers its commitment to being a leading supplier of technology to the insurance industry.

Weav.ai (Not a direct competitor)

Valuation (As of June 2023): \$16.4M

Total Raised to Date (As of September 2024): \$6.4M

Employees (As of October 2024): 15

Description:

Developer of an artificial intelligence-based copilot platform designed for underwriting and claims. The company's copilots focus on optimizing other core workflows, curating and organizing both internal and external expertise and experience to automate, support, and accelerate key business decisions, and offering guidelines to create more profitable risk assessment, enabling clients to improve underwriting and claims processing quality, shorten cycle times, and reduce loss ratio.

Most Recent Financing Status (as of 10-Oct-2024)

The company raised an undisclosed amount of seed funding from Mango Capital on September 15, 2024.

Enlyte Group (Not a direct competitor)

Valuation: \$1.1B (last valued in October of 2013)
Total Raised to Date: \$228.66M (As of June 2024)
Employees: 1550

Description:

Developer of claims software. The company specializes in information, workflow and performance management services to the insurance claims and automotive repair industries that help auto insurance payers simplify claims settlement processes, collision repair processes and reduce medical costs.

Most Recent Financing Status (as of 06-Aug-2024)

The company completed a \$3.44 billion debt refinancing round on June 06, 2024.

Competitive Advantage

KnowRisk holds a **first-mover advantage** in AI-driven claims correspondence, addressing a long-standing industry pain point with no direct competitors currently offering a similar solution. While insurtech incumbents have been slow to innovate in claims automation, KnowRisk has built a highly specialized AI model that dramatically reduces claims processing time while ensuring legal and policy compliance. Its **deep integration with claim management systems, proven customer adoption, and ability to scale across multiple insurance lines** create significant barriers to entry for potential competitors. Additionally, the company's **founding team uniquely combines AI expertise, startup execution, and deep insurance industry knowledge**, positioning KnowRisk to maintain its market lead and expand its product suite before competition emerges.

Competition Discussion

Know Risk is in a unique and highly strategic position, as no other company is addressing this specific challenge in the insurance space. While many firms offer claims management software for insurance companies and third-party adjusters, none leverage AI to streamline the letter-writing process and eliminate inefficiencies in this critical aspect of claims handling.



The biggest competitive risk for Know Risk comes from larger, well-established insurance software providers that may eventually recognize the value of this solution and use their financial resources and industry influence to develop competing features. Additionally, resistance to change from traditional insurance companies could slow adoption.

However, Know Risk has a strong first-mover advantage, offering a much-needed solution in an industry overdue for modernization. By delivering a highly efficient, AI-powered platform, they are well-positioned to help third-party adjusters and insurance agencies reduce costs, improve accuracy, and transform a long-standing inefficiency in claims processing.

FINANCIALS

Forecast

Income Statement							
	Year 1				Year 1	Year 2	Total
	Q1 2025	Q2 2025	Q3 2025	Q4 2025			
Revenue							
Carrier Customers	229,328	526,478	797,543	1,092,548	2,645,895	7,216,266	9,862,161
Total Revenue	229,328	526,478	797,543	1,092,548	2,645,895	7,216,266	9,862,161
Operating Expenses							
Employee Expense							
Payroll	245,087	274,115	303,427	362,812	1,185,441	2,148,524	3,333,965
Benefits	20,935	23,225	25,520	30,121	99,801	172,999	272,801
Total Employee	266,022	297,340	328,947	392,933	1,285,242	2,321,524	3,606,766
COGS	14,019	23,618	31,726	40,145	109,508	237,383	346,891
Marketing	46,417	74,713	82,036	89,383	292,550	505,999	798,549
Outside Services	3,411	3,645	3,879	4,434	15,369	23,272	38,641
Security	8,151	8,307	8,468	8,634	33,560	36,295	69,855
Legal	9,000	9,000	9,000	9,000	36,000	36,000	72,000
Total Expenses	347,021	416,624	464,056	544,529	1,772,229	3,160,472	4,932,701
<i>% of Revenue</i>	151%	79%	58%	50%	67%	44%	50%
EBITDA	(117,693)	109,854	333,487	548,019	873,666	4,055,794	4,929,460
<i>% of Revenue</i>	-51%	21%	42%	50%	33%	56%	50%
Taxes: 21%	-	23,069	70,032	115,084	208,185	851,717	1,059,902
Net Income	(117,693)	86,784	263,455	432,935	665,481	3,204,077	3,869,558
<i>% of Revenue</i>	-51%	16%	33%	40%	25%	44%	39%



Income Statement

For the year ended December 31, 2024

2024

Income	
Sales	34,272.00
Total Income	34,272.00
Cost of Goods Sold	
Software Development Fee	707,360.53
Total Cost of Goods Sold	707,360.53
Gross Profit	(673,088.53)
Operating Expenses	
Compliance Costs	12,133.65
Conference Expenses	27,616.75
Consulting & Accounting	1,518.00
Contractors	57,343.84
Dues & Subscriptions	7,736.30
Employee Benefits	2,238.46
Employee Incentives	621.70
Insurance	4,295.61
Legal Expenses	16,426.25
Marketing	10,565.40
Office Expenses	865.09
Payroll Tax Expense	3,611.55
Postage & Delivery	17.27
Professional Fees	579.00
Software as a Service	10,431.18
Travel	11,630.80
Wages and Salaries	37,351.16
Total Operating Expenses	204,982.01
Operating Income	(878,070.54)
Other Income / (Expense)	
Cashback Revenue	298.73
Interest Income	13,321.39
Other Revenue	106.18
Total Other Income / (Expense)	13,726.30
Net Income	(864,344.24)



Balance Sheet

As of December 31, 2024

DEC 31, 2024

Assets

Current Assets

Cash and Cash Equivalents

Mercury Savings ••3315	41,550.94
Outbound Checking	27,273.47
Treasury	481,820.54
Total Cash and Cash Equivalents	550,644.95

Prepaid Insurance	5,292.35
Total Current Assets	555,937.30

Fixed Assets

Office Equipment	4,284.01
Total Fixed Assets	4,284.01

Total Assets	560,221.31
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Liabilities and Equity

Liabilities

Current Liabilities

Accounts Payable	14,477.28
AMEX	9.99
Employee Benefit Liability	(34.88)
Ramp card	113.16
Total Current Liabilities	14,565.55

Total Liabilities	14,565.55
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Equity

Contr - Aaron Crain	25,000.00
Contr - Antonio DiNatale	25,000.00
Contr - Bradley Libson	175,000.00
Contr - DANIEL S STEINBERG	25,000.00
Contr - DTP Holdings LLC	100,000.00
Contr - Edward Zachary	50,000.00
Contr - EverRose, Inc	100,000.00
Contr - Hamad Almudhaf	25,000.00
Contr - JOSHUA M ATKINSON	10,000.00
Contr - Ken Liu	375,000.00
Contr - MAX STEINBERG	50,000.00
Contr - Plaid Investments LLC	100,000.00
Contr - Storm King Claims Services LLC	100,000.00

Contr - THE HECTOOGON FUND L.P.	150,000.00
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Contr - ZettaFi Labs Inc	100,000.00
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Current Year Earnings	(864,344.24)
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Total Equity	545,655.76
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Total Liabilities and Equity	560,221.31
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Major Expenses and Drivers (2024)

- Sales = \$34k
- COGS → Software development = \$707k
- Operating expenses total \$204k:
 - Contractors (\$57k)
 - Wages/Salaries (\$37k)
 - Legal & Compliance (\$28k)
 - Conference Expenses (\$27k)
 - Travel & Marketing (\$21k)
 - Misc. (\$34k)
- Net Income = -\$864k

- Total Assets = \$560k
- Total Liabilities = \$14k
- Total Equity = \$546k

Future Financing

KnowRisk expects to reach **cash flow breakeven within the next year**, achieving a sustainable operating model. With the \$5M of capital from this round, the company aims to reach a scale within two years where it becomes an attractive **private equity acquisition target**, driven by strong recurring revenue and a growing customer base. The goal is to position the company for a **\$100M+ exit** within that timeframe (on the conservative end) while remaining flexible to evaluate the best strategic path as it approaches that milestone.

While the company is focused on maximizing organic growth, **additional financing may be pursued** if it enables KnowRisk to accelerate expansion into new insurance verticals or enhance its product suite. Once KnowRisk secures **40+ carrier customers** and expands its AI automation to cover a larger portion of the claims adjuster's role, it could become a **strategic acquisition target** for major insurtech players as they severely impact the operations of companies like **Guidewire or Duck Creek**, further increasing potential exit opportunities.

Financial Discussion

KnowRisk has demonstrated strong valuation growth, raising capital at \$5M, \$10M, and now \$20M pre-money valuations, with most existing investors following on in each round—a strong indicator of confidence in the company's trajectory. While the company is still operating at a loss (-\$864K net income in 2024), its low liabilities (\$14K) and strong equity position (\$546K) provide a solid foundation for growth.



The company's largest expense driver has been software development (\$707K), reflecting its heavy investment in AI-driven product innovation. Operating expenses remain relatively lean (\$204K total), with a focus on contractors, salaries, legal, and marketing to support sales growth. Revenue reached \$34K in 2024, with early traction from insurance carriers and a growing pipeline that suggests a steep revenue ramp in the near term.

With existing investors continuing to support this round, KnowRisk is well-positioned to leverage new capital to accelerate sales, scale operations, and further product expansion. Given its improving revenue trajectory and a clear path to higher-margin enterprise contracts, the company is on track to reach cash flow breakeven within the next year while building long-term enterprise value.