Investor Update

As of Quarter 1 2025

Q1 was disappointing on a couple fronts, with two of our key strategic partnerships experiencing significant setbacks that materially impact our 2025 revenue projections and require us to accelerate diversification efforts.

Agiloft has decided to focus on Contract Review through their new AI acquisition of Streams, leading them to defocus on third-party extraction capabilities. As a result, they have decided not to renew their contract with Cognizer. To respond to these challenges, we have increased our efforts to diversify our channel strategy, and this focus has shown progress, particularly through our Legal Service Provider channel. Deloitte and Qualitas provide implementation services and as 3rd parties work with the Agiloft CLM platform and have experienced good results experimenting with our solutions. Both Deloitte and Qualitas are requesting to private label our platform,

After extensive meetings and collaborative work, Hyland ultimately decided to take the first two projects we proposed in-house and build rather than buy. While they continue to express interest in working with us long-term, the risks associated with both the timing and scope of that future work have significantly increased. The $250,000 per month for 6 months that we had projected from these initial infrastructure projects will not materialize in the near term.

These developments have fundamentally altered our Q1 trajectory and require immediate strategic adjustments to our go-to-market approach, revenue forecasting, and capital planning. The setbacks with Agiloft and Hyland underscore the critical importance of accelerating our diversification efforts and reducing dependence on any single partnership channel.

To respond to these challenges, we have increased our efforts to diversify our channel strategy, and this focus has shown progress, particularly through our Legal Service Provider channel. Both Deloitte and Qualitas are requesting to private-label our platform, with Deloitte having brought us into the McDonald's deal and introducing us to 4 additional opportunities, each valued at approximately $1M. While these partnerships show promise, they represent longer sales cycles that require careful execution and timing.

Our technical team made substantial progress on two key initiatives this quarter: advancing our transition from frontier models to fine-tuned local LLMs, which will reduce per-contract costs from $5 to $0.02 (99.6%) while improving performance by 3%; and developing our Cortex Cloud infrastructure. Both projects are on track for completion by the end of Q2. These innovations will enable faster customer onboarding, dramatically reduce support costs, and strengthen our competitive positioning. We've also prepared our sixth patent application, scheduled for April submission.

We've addressed immediate financial pressures by securing expanded Letter of Credit facilities backed by some of our current investors. We will need to demonstrate clear traction in our Legal Service Provider strategy before VCs will commit, as they want to see consistent revenue generation and pipeline visibility from these partnerships before proceeding with investment decisions. Additionally, the loss of projected cashflow from Agiloft and Hyland has created a funding gap that will require us to raise additional Angel money to bridge operations until our LSP write out strategy gains momentum. We're actively managing runway while pursuing these strategic opportunities.

Sales Performance

Agiloft experienced a challenging quarter, which directly impacted our revenue performance. Contributing factors included a two-week sales team offsite in Hawaii (during which no orders were processed) and continued market uncertainty stemming from government spending fluctuations and tariff concerns. Their enterprise customers demonstrated heightened caution, extending sales cycles beyond our forecasted timelines.

Q1 Performance Metrics:

- Revenue: $136,668 (82% of budget, $30,390 below target)
- Average order value: $19,700 (63% increase from previous quarters $12,052)
- New customers acquired: 7, bringing total Agiloft-sourced customers to 55 (out of their 950 customer base)

Despite these challenges, early Q2 indicators suggest this represents primarily a timing shift rather than lost opportunities. We received 7 orders in April's first week alone—more than double March's entire order volume. The significant increase in average order value indicates stronger penetration into Agiloft's larger enterprise accounts, a trend we expect to continue as we further expand within their substantial customer base.

Strategic Pivot in Our Agiloft Relationship

We want to update you on an important change in our relationship with Agiloft. Our direct three-year contract with them will not be renewed in its current form. While this wasn't our preferred outcome, we've identified a pathway forward that we believe will ultimately prove more advantageous for Cognizer's long-term growth objectives. Agiloft introduced Cognizer to a large petroleum corporation that they wished onboard to their CLM. We will work with Agiloft and our new channel partner, Qualitas, to secure this business. We point this out so show that regardless of the sales outcome, Agiloft is planning to continue to work with Cognizer where appropriate.

Key Benefits of This Transition

Enhanced Deployment Model: Moving away from supporting a Private Cloud instance within Agiloft's infrastructure eliminates one of our most resource-intensive operational burdens. This shift to our Public Cloud model for Agiloft-related business will substantially improve our margins and allow our engineering team to focus on product innovation rather than custom infrastructure maintenance.

Revenue Optimization: Our initial pricing structure with Agiloft ($0.30 per contract) was established before we had properly calibrated our market value. This transition allows us to implement our current standard rate of $1.50 per contract—a 5x increase that better reflects the value we deliver and aligns with what the market has validated.

New Channel Partnership: We've forged a strategic alliance with Qualitas, one of Agiloft's premier implementation partners. This relationship has already yielded three large potential deals in the pipeline, with more expected to follow. This partner-led approach:

- Expands our reach within the Agiloft ecosystem
- Provides access to a broader customer base
- Removes previous restrictions on upsell opportunities
- Leverages Qualitas' established relationships to accelerate sales cycles

Looking Forward

While direct vendor relationships offer certain advantages, our new partner-led approach with Qualitas provides greater flexibility, improved economics, and reduced operational complexity. We anticipate this restructured relationship will deliver significantly better financial performance while maintaining our strategic footprint in the Agiloft ecosystem.

Legal Service Provider Partnerships

We've made significant progress with our Legal Data Services partners, with both Deloitte and Qualitas requesting OEM relationships that would allow their sales teams to market our solutions under their brands (with "Powered By" attribution). These strategic partnerships represent a capital-efficient go-to-market channel, leveraging their established client relationships and industry credibility while minimizing our direct sales investment. The OEM approach also accelerates our enterprise penetration by embedding our technology within their existing service delivery frameworks, which shortens implementation cycles and improves adoption rates. Both firms have begun introducing us to their client opportunities.

Deloitte

Deloitte has introduced us to three major opportunities with potential seven-figure outcomes:

- **McDonald's**: In final negotiation stages, expected to close in May with $150,000 for Phase 1 and $800,000 for Phase 2 (2025)
- **Subway**: Early-stage discussions for a similar implementation scale
- **Volkswagen**: Evaluating our solution for document intelligence needs

Deloitte typically executes approximately 25 projects of this scale annually, and we're forecasting participation in 4-5+ of these engagements.

Qualitas

As the premier provider in the legal intelligence space, Qualitas specializes in complex migration and merger projects. They're developing a co-branded service with us and have identified Lockton Insurance as a design partner. The initial engagement involves 50,000 contracts for $50,000, scheduled for Q2 execution. Following this pilot implementation, Qualitas expects to market the service more broadly, with 3-4 additional projects anticipated in 2025.

Qualitas has already issued a Press Release on the relationship and put up a dedicated webpage on the offering.

- Press Release
- Dedicated Webpage

Hyland Software

In Q4 2024, we proposed two infrastructure projects to Hyland totaling $250,000 per month for 6 months. These projects were designed to establish the foundation for their enterprise-wide document intelligence initiative following several months of technical discovery and requirements gathering sessions with their leadership team. Despite positive signals throughout the evaluation process and strong executive sponsorship from their CTO, they ultimately decided to build these solutions internally, citing sufficient in-house .NET development resources. Their decision came after an internal technical review determined these initial components could leverage existing frameworks within their development ecosystem.

We remain in contention for six additional advanced AI projects where Hyland lacks both the specialized expertise and capacity. These projects involve sophisticated natural language processing, multi-modal document analysis, and custom model development that fall outside their core development capabilities. We see good potential for these opportunities, though the timeline may extend as Hyland balances these projects with their current internal development priorities. Our discussions with their innovation team suggest a phased approach beginning later in Q2. We continue to expect significant revenue from Hyland, but have it in our cashflow later in the year.

While Hyland's decision to build rather than buy was initially disappointing, this shift has allowed us to reallocate resources toward the Deloitte partnership opportunities, which offer significantly higher profitability and strategic alignment with our business model. The McDonald's and other enterprise opportunities through Deloitte provide not only larger deal sizes but also recurring revenue streams (ARR) across their extensive client portfolio, whereas the Hyland projects were primarily non-recurring engineering (NRE) revenue for the first year. This pivot has ultimately strengthened our go-to-market strategy by focusing our limited resources on partnerships that leverage our core AI capabilities while minimizing implementation overhead, resulting in improved margins and more sustainable, predictable growth opportunities.

New Business Development

To mitigate timing uncertainties with existing partners, we've accelerated new business initiatives through a diversified channel strategy. This approach aims to reduce our dependence on any single partner's business cycle while expanding our market presence into adjacent sectors. We have focused our outreach by targeting organizations with complex document intelligence needs, focusing particularly on industries with high regulatory requirements and significant unstructured data challenges. These efforts have already yielded two promising engagement paths that provide near-term pipeline opportunities while we navigate the timing variables with Agiloft and Hyland.

IQ Technologies

We've engaged with IQ Technologies, a George Lucas company, to explore developing a Document Intelligence solution for their "3D Titans of Industry" initiative. This project involves creating intelligent content systems for 3D avatars of Steve Jobs, Jack Welch, Nelson Mandela, and Henry Kissinger, powered by our content intelligence technology.

Elastic Partnership

We've leveraged our relationship with Elastic's Head of OEM Business to pursue new customer introductions. We've prepared a tailored presentation for their customer network and anticipate this channel will yield opportunities well-aligned with our core capabilities.

Product Update

We continue to advance our product suite, integrating cutting-edge technologies that maintain Cognizer's 2-3 year technological advantage over competitors. Our innovation strategy focuses on three parallel tracks: enhancing our core algorithms for greater efficiency and accuracy, expanding our platform's ability to handle increasingly complex document types, and developing novel approaches to enterprise knowledge extraction that aren't readily replicable by competitors. We've prepared an additional patent application for submission in April, bringing our total filed patents to six, further strengthening our IP portfolio and establishing defendable barriers to competitive entry.

Model Optimization and Cost Efficiency

A significant breakthrough this quarter has been the initial development for our transition from expensive frontier models (OpenAI, Anthropic, Google) to fine-tuned local large language models. We've successfully:

- Distilled a Deep Seek R1 model to a more efficient Llama 8B architecture

- Enhanced this model through specialized instruction and reasoning fine-tuning
- Achieved a 3% performance improvement while reducing operational costs by 99.6% (from approximately $5 per for complex contracts to less than $0.02 per contract)

This architectural shift dramatically improves our unit economics while maintaining superior performance, positioning us for significantly improved margins as we scale.

Agentic Platform Evolution

We've made substantial progress in evolving our Cortex Platform into a full agentic system, creating a major competitive advantage in the market. Key enhancements include:

- Expanded pre-ingestion capabilities, enabling automatic:
    - Document discovery across enterprise systems
    - Deduplication of redundant materials
    - Contract type identification
    - Schema establishment for seamless import

Infrastructure Advancement: Cortex Cloud

We're in the final stages of migrating all Cortex functionality to our proprietary Cortex Cloud infrastructure. This transition will deliver two critical business benefits:

1. Reduced customer onboarding time from months to days
2. Projected 90% reduction in support costs through improved system reliability and management

The Cortex Cloud will initially support our current customer deployment model but is architected to rapidly expand into a full Software as a Service (SaaS) offering, opening new market segments and deployment options.

Finance Update

Our financial strategy addresses both near-term operational needs and longer-term growth opportunities through a layered capital approach. We've balanced debt facilities for immediate requirements, equity financing for growth acceleration, and strategic optionality through potential acquisition paths. The specific components of our financial roadmap for 2025 are outlined below.

Debt Financing Expansion

We have successfully expanded our Letter of Credit capabilities to address multiple financial objectives. This enhancement comes at a critical juncture in our growth trajectory, providing the capital flexibility needed to navigate both market timing uncertainties and expanding enterprise opportunities. This enhanced facility provides necessary short-term operational funding while enabling financing for larger enterprise projects that typically require upfront resource commitments before recognizing revenue. We've implemented a structured reduction plan throughout 2025 to systematically minimize interest expense as our revenue scales, with targeted quarterly debt service aligned to our projected cash flow improvements from strategic accounts.

Equity Financing Strategy

Early-Stage Venture Capital

We are continuing discussions with targeted venture capital firms once we achieve demonstrable momentum. Our approach includes focusing on early-stage investors with domain expertise in enterprise AI and leveraging our Deloitte relationship for strategic introductions. We're currently engaged with three firms that have expressed strong interest contingent upon visibility to $3M in bookings and ARR, and we aim to add two additional firms to our investor pipeline. We've established clear visibility to $3M in bookings and ARR as the primary fundraising trigger, with a target raise of $3M to $3.5M at a projected $40M to $50M valuation.

Proceeds will be strategically allocated to:

- Reduce outstanding Line of Credit obligations and eliminate employee compensation deferrals
- Build out dedicated Sales and Marketing teams while funding operational expenses through to profitability

Bridge Financing

We have received substantial interest from existing investors and strategic partners for a bridge financing round. Potential commitments range from $500K to $1M, structured to commence upon entering formal due diligence with lead VC investors. These investments would include a 20% discount to the subsequent priced round, providing significant upside potential for participants.

Possibility of Cashflow Breakeven in Early 2026

Based on our current projections of the Deloitte relationship, if it ramps according to our forecasts with the McDonald's project and subsequent enterprise opportunities, we anticipate needing only $1.5M in additional investment to reach cashflow breakeven. We're actively monitoring this opportunity and will reassess our capital strategy as we further engage with Deloitte and gain greater visibility into the timing and scale of these projects. This evolving scenario could substantially improve our negotiating position with potential investors and provide a more capital-efficient path to profitability.

Interim Critical Needs Financing

With the change in the Partnership with Agiloft, we are developing contingency plans for any additional capital requirements that may arise between now and the formal bridge/venture rounds. This financing would be structured with appropriate premium returns to compensate for the increased risk profile, ensuring we maintain operational flexibility without compromising our strategic initiatives. This has become important, so if you have interest please contact Stan and he will work with you to accommodate.

Strategic Acquisition Activities

Inbound acquisition interest has increased significantly during Q1. Two acquisition candidates from 2024 have requested updated discussions in April, with renewed engagement contingent upon visibility to $3M-$5M in bookings and ARR. Additionally, Atlas has reported inbound interest from five additional potential acquirers. We plan to strategically engage current partners including Deloitte, Elastic, and Relativity in these discussions, with the objective of launching a formal secondary market exploration process in Summer 2025.

Conclusion

Our technology differentiation continues to widen, with our transition from frontier models to fine-tuned local
Although we have new opportunities with the anticipated revenue streams from Deloitte and

Qualitas, we still face significant challenges that require careful navigation over the coming months.

The contracting and receivables management for these large enterprise deals can take significant time and are often unpredictable. Enterprise sales cycles, particularly through partner channels, involve multiple stakeholders and extended decision-making processes that make precise timing forecasts difficult.

To complete these projects successfully, we need to maintain our current staff to support delivery and execution. These expenses hit us every month, even when billings may slip in timing due to client delays or contract negotiations. This creates a challenging cash flow dynamic where our costs remain fixed while actual revenue receipts can vary significantly.

VCs will not invest until our revenue streams become more tangible and predictable. They want to see consistent monthly recurring revenue and clear pipeline visibility before committing to investment, which means we must demonstrate sustained performance over multiple months before accessing institutional capital.

We have a cash flow shortage between now and when the billings begin that can really only be filled by Angel investors and smaller deals that turn faster. We are actively working on both fronts - engaging with individual investors who understand our market position and pursuing opportunities with shorter sales cycles that can provide interim revenue while our larger partnerships mature.

Given these challenges, we would greatly appreciate any support from our network, whether through participation in our Angel round, introductions to other potential angel investors, or connections to early-stage venture firms that might be interested in our market opportunity.

Actions

- If you have interest in the short-term financing, please contact Stan. We will make this investment at very favorable rates.

- If you have any contacts with Early Stage Venture Firms, please contact me. We are very well positioned for this type of investment and the investors quickly engage with us.