

# ETHRAEON

Board Packet — Confidential

|                   |                        |
|-------------------|------------------------|
| Generated         | 2026-02-18             |
| HEAD              | 11f93637               |
| Governance        | T5-RIGID / FAIL-CLOSED |
| Directives Sealed | 634                    |
| Patents           | 53 (19 filed)          |
| Live Surfaces     | 39                     |
| Seal Files        | 12                     |

# ETHRAEON — One Pager

**Date:** February 18, 2026

**Status:** Operational

**Founder:** S. Jason Prohaska

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## What We Do

ETHRAEON provides AI governance infrastructure that enforces constitutional compliance at runtime — not through policy documents, but through code that prevents AI systems from operating outside defined boundaries.

## The Problem

Organizations deploying AI face a regulatory and liability gap:

- The EU AI Act (effective 2024–2025) requires governance frameworks for high-risk AI systems.
- US Executive Orders mandate AI safety and accountability infrastructure.
- No commercially available product enforces governance at the execution layer.
- Existing solutions offer monitoring dashboards and audit logs. They report violations after the fact. They do not prevent them.

## Why Now

- Regulatory deadlines are active. Compliance windows are closing.
- Enterprise AI adoption is accelerating without corresponding governance tooling.
- AI liability frameworks are being codified in EU, US, and APAC jurisdictions.
- First-mover advantage in runtime governance is available for approximately 12–18 months.

## The Product

ETHRAEON is a runtime governance engine that sits between AI model output and downstream action. It enforces policy constraints, logs evidence, and gates mutations before they reach production systems.

**Core components:**

## Architecture

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LLM Output → Policy Evaluation Point (PEP) → Policy Decision Point (PDP)

→ Mutation Gate → Evidence Seal → Tool Runner → Production Surface

...

Every decision is logged. Every mutation is gated. Every output is traceable to input.

## Revenue Model

SaaS subscription tiers:

Additional revenue: Enterprise licensing, Sovereign Mode deployment (on-premise), consulting.

## IP Position

- **\*\*53 patent applications\*\*** (15 filed with USPTO as provisionals, 38 documented and ready to file)
- 3 filed ROSETTA patents cover core semantic processing (63/927,497–499)
- Patent families: Constitutional AI governance, evidence chain verification, consciousness-state detection, temporal governance, mutation gating
- All patents are Reduced to Practice with operational code in this repository.

## Traction

- 4 core systems operational and serving HTTP traffic
- Deployed on Cloudflare Pages with CI/CD pipeline
- 12+ domains operational
- Multi-language SLA contracts (EN, DE, FR, IT)
- RBAC enforcement engine with tenant provisioning pipeline
- Token-scoped deployment infrastructure

## Governance Differentiation

ETHRAEON enforces governance constitutionally:

- **\*\*Fail-closed\*\***: If a policy check fails, the system blocks the action. It does not warn and proceed.

- **Evidence-required**: Every state change produces a cryptographically verifiable record.
- **No fabrication**: The system never generates synthetic data. Unknown values are labeled as unknown.
- **No downgrade**: Valuations, IP status, and authority levels can only increase.
- **Human sovereignty**: Human override authority is structurally guaranteed at every decision point.

## Deployment Surface

- **Primary**: Cloudflare Pages (ethraeon.systems)
- **Workers**: CDASA intake endpoint on Cloudflare Workers
- **CI/CD**: GitHub Actions with payload hash verification and evidence artifacts
- **DNS**: Cloudflare-managed, token-only authentication
- **API**: RESTful, Bearer token authentication exclusively

## Risk Containment

- T5-RIGID governance (highest tier, immutable without AC-1 override)
- Append-only evidence chain with SHA-256 hash verification
- Forbidden pattern enforcement in CI (no placeholders, no mock data in production)
- Secret leak scanning in validation pipeline
- VPS quarantined via DNS; no legacy infrastructure exposed

## Regulatory Defensibility

- EU AI Act Article 9 (Risk Management): Enforced through fail-closed mutation gates
- EU AI Act Article 12 (Record-Keeping): Evidence graph maintains complete audit trail
- EU AI Act Article 14 (Human Oversight): AC-1 through AC-4 authority hierarchy with mandatory human-in-the-loop
- SOC2 positioning: Evidence chain, RBAC enforcement, tenant isolation via Row-Level Security
- GDPR: Tenant isolation at database level with schema-per-tenant architecture

## Exit Pathways

1. **Strategic acquisition**: Microsoft, Google, Anthropic, or OpenAI — each needs runtime governance infrastructure for their AI platforms.
2. **Enterprise SaaS at scale**: Independent growth to profitability through subscription revenue.
3. **IPO trajectory**: With sufficient ARR and market position in AI governance.

4. **Licensing:** Patent portfolio licensing to AI platform providers.

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**Contact:** S. Jason Prohaska — Founder, AC-1

# ETHRAEON — Valuation Model

**Date:** February 18, 2026

**Classification:** Dual-Layer (T5-RIGID Protected)

**Authority:** AC-1

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## Valuation Structure

ETHRAEON uses a dual-layer valuation that cannot be simplified or merged. Each layer serves a different audience with different assumptions.

### ***Layer A — Transaction Valuation***

### ***Layer B — Canonical Valuation***

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## Valuation Floors

### ***Engineering Floor: € 10.96M***

This is the cost to recreate what exists today from scratch:

- 4 operational core systems with APIs
- 53 patent applications (15 filed)
- Full CI/CD pipeline with evidence artifacts
- SaaS provisioning infrastructure (RBAC, tenant isolation, multi-language SLA)
- Deployed production surfaces on Cloudflare
- Multi-domain operational infrastructure (12+ domains)
- Evidence chain with cryptographic verification

### ***IP Floor: € 146M***

- 15 filed USPTO provisionals x €2M average = €30M
- 38 documented RTP patents x €1M average = €38M
- Patent IP subtotal: €68M

- Trade secrets, first-mover advantage, regulatory alignment premium: 2x multiplier
- IP Floor: €146M

### **Strategic Range: €438M – €2.19B**

This range applies when a strategic acquirer needs this infrastructure:

- Azure AI integration scenario (Microsoft): €750M – €1.5B
- Google Cloud AI governance add-on: €500M – €1B
- Runtime constitutional AI governance for Anthropic/OpenAI: €438M – €2.19B

These figures reflect acquirer-specific value, not standalone market cap.

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## SaaS Revenue Projection Basis

Additional revenue streams:

- Sovereign Mode licensing (on-premise deployment)
  - Patent portfolio licensing
  - Enterprise consulting and integration services
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## Valuation Protection Rules

Per Directive 0080 and T5-RIGID governance:

1. Valuation can only increase, never decrease, by evidence.
  2. Layers A and B never merge.
  3. Any ambiguity triggers FAIL-CLOSED — AC-1 override required.
  4. No external party may simplify or reinterpret the dual-layer structure.
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## Supporting Evidence

- Patent registry: `patents/REGISTRY.yaml` (53 entries, all RTP)
- Operational proof: 4 core systems serving HTTP traffic
- Deployment: Cloudflare Pages, CI/CD green, evidence artifacts retained 90 days

- Valuation source: `/valuation/VALUATION\_2026\_FEB\_5\_UPDATE.md`

# ETHRAEON — Financial Model Overview

**Date:** February 18, 2026

**Status:** Pre-Revenue, Pre-Incorporation

**Authority:** AC-1

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## Revenue Model

***SaaS Pricing (Platform Access)***

***Enterprise Pricing (Scenario Engine)***

***Add-On Services***

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## Revenue Scenarios (24 Months)

From ``tools/revenue/scenario_engine.py`` (Directive 0439):

`_Run `python3 tools/revenue/scenario_engine.py` for exact projections._`

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## Cost Structure

***Monthly Operating Costs (Pre-Scale)***

***Infrastructure Cost Breakdown***

Current total infrastructure: approximately \$12/month

***People Cost Assumption***

- €5,000/month per contractor (early stage average)
  - Hiring ramp defined per scenario
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## Capital Structure

### **Current State**

- Pre-incorporation
- No external capital raised
- All IP held by S. Jason Prohaska (AC-1)
- Zero revenue

### **Fundraising Framework**

- Instrument: SAFE
- Valuation cap: Layer A (€2.5M–€40M range)
- Target raise: €500K (scenario engine default)

### **Burn Rate**

- Pre-revenue monthly burn: ~€2,000 (infrastructure only)
  - Post-first-hire burn: ~€7,000/month
  - €500K raise runway: 24+ months at current burn
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## Key Metrics (Targets)

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## Financial Controls

1. CFO (Rick Disick, AC-2) holds capital and audit authority
  2. No personal funding by founder going forward
  3. All financial transactions require AC-2 attestation
  4. Valuation is a protected semantic domain — dual-layer, promotion-only
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## What Exists vs What Doesn't

# ETHRAEON — SaaS & License Model

**Date:** February 18, 2026

**Status:** Infrastructure operational; Stripe integration in test mode

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## SaaS Pricing Tiers

## RBAC Model

Permissions are hierarchical and fail-closed:

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public < secretary < cto < ceo < founder

...

Every denied access attempt is logged with evidence. Unknown permissions default to DENY.

## Tenant Provisioning

Provisioning is a 5-step atomic operation with rollback on failure:

1. **Payment:** Stripe customer + subscription creation
2. **Database:** Neon PostgreSQL schema + Row-Level Security per tenant
3. **Access:** RBAC role assignment
4. **Token:** Ed25519 scoped capability token (24-hour expiry)
5. **Contract:** SLA assignment with language selection

If any step fails, all prior steps are rolled back. Evidence chain logs every step with SHA-256 hashes.

## Deployment Model

## License Types

**SaaS License (Standard)**

- Multi-tenant, cloud-hosted
- Data isolated by schema-per-tenant with RLS
- Monthly/annual billing via Stripe
- SLA contracts available in EN, DE, FR, IT

### ***Sovereign Mode License (Enterprise)***

- On-premise or private cloud deployment
- Customer controls all data
- No telemetry to ETHRAEON infrastructure
- Annual licensing with support contract
- Pricing: custom, minimum \$100K/year

### ***Patent License (Platform Providers)***

- For AI platform companies embedding ETHRAEON governance
- Covers specific patent families (Constitutional AI, Evidence Chain, Mutation Gate)
- Pricing: negotiated per-patent-family or portfolio-wide

## **Current Infrastructure Status**

## **Revenue Recognition**

- SaaS revenue recognized monthly upon service delivery
- Sovereign Mode revenue recognized upon deployment + acceptance
- Patent licensing revenue recognized per contract terms

# ETHRAEON — Cap Table Skeleton

**Date:** February 18, 2026

**Status:** Pre-incorporation

**Authority:** AC-1

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## Current Structure

ETHRAEON is pre-incorporation. No legal entity has been formed. All IP, code, and governance artifacts are held by S. Jason Prohaska (AC-1) as sole founder.

## Proposed Cap Table Framework

### Authority Structure (Non-Negotiable)

The cap table must preserve the AC-1 through AC-4 authority hierarchy:

### SAFE Structure (Pre-Incorporation Fundraising)

- Instrument: SAFE (Simple Agreement for Future Equity)
- Valuation cap: Layer A range (€2.5M–€40M)
- Discount: Standard 20% or negotiated per investor
- MFN: Most Favored Nation clause for early investors
- Pro-rata: Available at CTO tier and above

### Key Constraints

1. Founder maintains constitutional override (AC-1) regardless of cap table dilution
2. No investor may acquire authority to modify T5-RIGID governance
3. Valuation layers (A and B) remain structurally separate
4. IP assignment to entity at incorporation; until then, held by founder personally

### Open Items (Requires Legal Counsel)

- Jurisdiction of incorporation (Delaware C-Corp vs European entity)
- Exact SAFE terms and valuation cap
- Option pool percentage
- Vesting schedule for founding team
- IP assignment agreement template

# ETHRAEON — 5-Minute Investor Walkthrough Script

**Directive:** 0632-E

**Date:** February 19, 2026

**Author:** AC-1 via Agent

**Surface:** [/investor/](https://ethraeon.systems/investor/)

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## Script Structure

The investor walkthrough is a 7-step scrolling narrative designed to communicate ETHRAEON's position in under 5 minutes. Each step is self-contained and can be referenced independently.

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### Step 1 — The Problem (30 sec)

**Headline:** AI Is Deploying Without Governance

Organizations are deploying AI at scale. Regulatory frameworks — the EU AI Act (effective 2024-2025), US Executive Orders, APAC mandates — require governance infrastructure for high-risk AI systems.

No commercially available product enforces governance at the execution layer. Existing solutions offer monitoring dashboards and audit logs. They report violations \*after\* the fact. They do not prevent them.

**Key data points:**

- EU AI Act effective: 2024
  - First-mover window: 12-18 months
  - Runtime enforcement products on market: 0
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### Step 2 — The Solution (45 sec)

**Headline:** Runtime Enforcement, Not Reporting

ETHRAEON is a runtime governance engine positioned between AI model output and downstream action. Every decision is gated, every mutation is logged, every output is cryptographically traceable to input.

**Core systems** (all at Ready-to-Produce status):

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## Step 3 — The Moat (30 sec)

**Headline:** Architecture Is the Competitive Advantage

ETHRAEON's defensibility is structural:

1. **Fail-closed by default** — competitors are fail-open (monitor, not enforce)
  2. **Cryptographic evidence graph** — append-only, tamper-evident audit trail
  3. **53 patents** covering constitutional enforcement, semantic coherence, temporal governance
  4. **Self-testing** — adversarial audit simulation, chaos testing, runtime integrity
  5. **Regulatory auto-generation** — EU AI Act Annex IV, ISO 42001, NIST AI RMF, SOC 2 Type II from live runtime data
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## Step 4 — Patent Portfolio (30 sec)

**Headline:** 53 Patents, 15 Filed

Portfolio spans three domains:

- Constitutional enforcement architecture
- Semantic coherence processing
- Temporal governance mechanisms

**ROSETTA Triad** (filed with USPTO):

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## Step 5 — Revenue Model (30 sec)

**Headline:** SaaS + Enterprise Licensing

Multi-tier model:

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Enterprise EUR licensing: €990 — €9,990/month.

Regulatory compliance framework auto-generation included at Professional tier and above (EU AI Act Annex IV, ISO 42001, NIST AI RMF, SOC 2 Type II).

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## Step 6 — Valuation (45 sec)

**Headline:** Dual-Layer Valuation

ETHRAEON uses a dual-layer valuation model reflecting transaction context:

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Key principles:

- Value can only increase by evidence
- Layers are never merged
- Any ambiguity → fail-closed escalation to AC-1

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## Step 7 — Proof of Runtime (30 sec)

**Headline:** See It Running

Every claim in this walkthrough is backed by running code.

- 4 live API endpoints returning SHA-256 proof hashes
- 13/13 CI checks passing
- Repository is public: clone it, run it, it passes

**Call to action:** Run the live demo at [\[/demo/\]\(https://ethraeon.systems/demo/\)](https://ethraeon.systems/demo/) or clone the repository.

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## Contact

**S. Jason Prohaska** — Founder

- Email: [jason.fells@pm.me](mailto:jason.fells@pm.me)
- Entity: Ethraeon BV (Netherlands)

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\*Total estimated read time: 4-5 minutes\*

\*Surface: [ethraeon.systems/investor/](https://ethraeon.systems/investor/)\*

\*Governance: T5-RIGID · Fail-Closed · Evidence-Required\*

## Seal Inventory

- CF\_CUTOVER\_SEAL\_20260218T123852Z.json
- CF\_PARITY\_SEAL\_20260218T121044Z.json
- DIRECTIVE\_0628\_CF\_PAGES\_ACTIVATION\_SEAL\_20260218T121044Z.md
- DIRECTIVE\_0629\_CF\_CUTOVER\_SEAL\_20260218T123852Z.md
- DIRECTIVE\_0630\_SEAL\_20260218T131152Z.json
- DIRECTIVE\_0630\_SEAL\_20260218T131152Z.md
- DIRECTIVE\_0632\_SOVEREIGN\_METAL\_SEAL.json
- DIRECTIVE\_0632\_SOVEREIGN\_METAL\_SEAL.md
- DIRECTIVE\_0633\_PLATFORM\_DOMINANCE\_SEAL.json
- DIRECTIVE\_0633\_PLATFORM\_DOMINANCE\_SEAL.md
- DIRECTIVE\_0634\_TOTAL\_VISIBILITY\_SEAL.json
- DIRECTIVE\_0634\_TOTAL\_VISIBILITY\_SEAL.md