

SERIES C PREFERRED STOCK FINANCING

TERM SHEET

DeepShield Systems, Inc.

March 15, 2023

This non-binding Term Sheet summarizes the principal terms of the Series C Preferred Stock Financing of DeepShield Systems, Inc., a Delaware corporation (the "Company").

1. OFFERING TERMS

Issuer: DeepShield Systems, Inc.

Security: Series C Preferred Stock

Amount of Financing: Up to \$75,000,000

Price Per Share: \$12.50 (the "Original Purchase Price")

Pre-Money Valuation: \$425,000,000

Post-Money Valuation: \$500,000,000

2. RIGHTS, PREFERENCES, AND PRIVILEGES

2.1 Dividend Rights

Series C Preferred will carry an annual 8% non-cumulative dividend preference senior to all other series of Preferred Stock and Common Stock.

2.2 Liquidation Preference

In the event of any liquidation or winding up of the Company, the Series C Preferred will receive:

- First priority payment of 1.5x the Original Purchase Price, plus declared but unpaid dividends
- Thereafter, participate with Common Stock pro rata on an as-converted basis

2.3 Conversion Rights

The Series C Preferred shall be convertible at any time at the option of the holder into shares of Common Stock. The initial conversion ratio shall be 1:1, subject to standard anti-dilution adjustments.

2.4 Anti-dilution Provisions

Broad-based weighted average anti-dilution protection for subsequent rounds at lower valuations, subject to customary exceptions.

3. VOTING RIGHTS AND PROTECTIVE PROVISIONS

3.1 Voting Rights

The Series C Preferred will vote together with Common Stock on an as-converted basis, plus separate series voting rights on specified matters.

3.2 Protective Provisions

Series C approval required for:

- Changes to certificate of incorporation affecting Series C rights
- Authorization of senior or pari passu securities
- Any merger, acquisition, or sale of the Company
- Increase in size of Board of Directors
- Payment of dividends
- Incurrence of debt exceeding \$10,000,000

4. BOARD COMPOSITION

Post-financing Board of Directors shall consist of seven (7) members:

- 2 Series C investors
- 1 Series B investor
- 1 Series A investor
- 2 Management seats (CEO + CTO)
- 1 Independent director

5. INVESTOR RIGHTS

5.1 Registration Rights

- Demand registration rights after earlier of IPO or 4 years
- Two demand registrations
- Unlimited piggyback registration rights

- S-3 registration rights when eligible

5.2 Information Rights

Investors shall receive:

- Quarterly and annual financial statements
- Annual operating plan and budget
- Monthly KPI reports
- Board observer rights

5.3 Pre-emptive Rights

Pro rata right to participate in subsequent financings.

6. CLOSING CONDITIONS

6.1 Due Diligence

Satisfactory completion of legal, financial, and technical due diligence.

6.2 Documentation

Execution of definitive agreements including:

- Series C Preferred Stock Purchase Agreement
- Amended and Restated Certificate of Incorporation
- Investors' Rights Agreement
- Right of First Refusal Agreement
- Voting Agreement

6.3 Corporate Matters

- Updated capitalization table
- Good standing certificates
- Board and stockholder approvals
- Key employee agreements

7. EXCLUSIVITY

Company agrees to work exclusively with the Series C investors for a period of 60 days from the signing of this Term Sheet.

8. CONFIDENTIALITY

The terms and conditions of this Term Sheet shall remain confidential and shall not be disclosed to any third party without prior written consent.

9. EXPIRATION

This Term Sheet expires if not accepted by March 31, 2023.

10. NON-BINDING EFFECT

This Term Sheet is non-binding and is intended solely as a summary of the terms that are currently proposed by the parties. The parties mutually agree that their respective rights and obligations are defined only by definitive agreements.

AGREED AND ACCEPTED:

DEEPSHIELD SYSTEMS, INC.

By:

Name: Dr. Marcus Chen

Title: Chief Executive Officer

Date:

LEAD INVESTOR

By:

Name:

Title:

Date: