

# SERIES C INVESTMENT MEMORANDUM

## CONFIDENTIAL AND PROPRIETARY

DeepShield Systems, Inc.

Date: January 11, 2024

### 1. EXECUTIVE SUMMARY

This Investment Memorandum (the "Memorandum") has been prepared by DeepShield Systems, Inc., a Delaware corporation (the "Company"), in connection with its proposed Series C financing round (the "Financing"). The Company seeks to raise up to \$75,000,000 through the issuance of Series C Preferred Stock (the "Series C Shares") at a pre-money valuation of \$450,000,000.

### 2. OFFERING TERMS

- \*\*Securities Offered\*\*:** Up to 12,500,000 shares of Series C Preferred Stock
- \*\*Price Per Share\*\*:** \$6.00
- \*\*Pre-Money Valuation\*\*:** \$450,000,000
- \*\*Minimum Investment\*\*:** \$1,000,000
- \*\*Use of Proceeds\*\*:**
  - International market expansion (40%)
  - Research and development of maritime security solutions (30%)
  - Sales and marketing initiatives (20%)
  - Working capital and general corporate purposes (10%)

### 3. CAPITALIZATION

- \*\*Pre-Financing Capitalization\*\*:**
  - Common Stock: 45,000,000 shares
  - Series A Preferred: 15,000,000 shares
  - Series B Preferred: 25,000,000 shares
  - Employee Stock Option Pool: 10,000,000 shares (15% fully diluted)

2. **\*\*Post-Financing Capitalization\*\*** (Fully Diluted):

- Common Stock: 45,000,000 shares (41.9%)
- Series A Preferred: 15,000,000 shares (14.0%)
- Series B Preferred: 25,000,000 shares (23.3%)
- Series C Preferred: 12,500,000 shares (11.6%)
- Employee Stock Option Pool: 10,000,000 shares (9.2%)

#### **4. RIGHTS AND PREFERENCES**

1. **\*\*Dividend Rights\*\***: 8% non-cumulative dividend preference
2. **\*\*Liquidation Preference\*\***: 1x liquidation preference, pari passu with Series B, senior to Series A
3. **\*\*Conversion Rights\*\***: Initially convertible 1:1 into Common Stock, subject to anti-dilution adjustments
4. **\*\*Anti-dilution Protection\*\***: Broad-based weighted average
5. **\*\*Voting Rights\*\***: Votes with Common Stock on as-converted basis
6. **\*\*Board Composition\*\***: Series C investors entitled to one board seat

#### **5. FINANCIAL HIGHLIGHTS**

1. **\*\*Historical Performance\*\***:
  - FY2023 Revenue: \$32.5M
  - YoY Growth: 127%
  - Gross Margin: 75%
  - ARR: \$28.7M
2. **\*\*Projections\*\*** (Subject to Risk Factors):
  - FY2024E Revenue: \$65.0M
  - FY2025E Revenue: \$120.0M
  - Expected EBITDA Positive: Q4 2024

#### **6. RISK FACTORS**

Potential investors should carefully consider the following risk factors, among others:

1. **Technology Risks**: Rapid evolution of cybersecurity threats and technology
2. **Competition**: Increasing market competition from established security providers
3. **Regulatory Environment**: Changes in cybersecurity regulations and compliance requirements
4. **Market Conditions**: Economic factors affecting industrial and maritime sectors

## **7. LEGAL AND PROCEDURAL MATTERS**

1. **Closing Conditions**:
  - Minimum investment threshold achieved
  - Board and stockholder approval
  - Customary closing documentation
  - Regulatory approvals, if applicable
2. **Documentation**:
  - Series C Stock Purchase Agreement
  - Amended and Restated Certificate of Incorporation
  - Investors' Rights Agreement
  - Right of First Refusal and Co-Sale Agreement
  - Voting Agreement

## **8. DISCLAIMERS**

This Memorandum contains confidential information and is provided for informational purposes only. It does not constitute an offer to sell or solicitation of an offer to buy securities. Any such offer will be made only pursuant to definitive agreements. The information contained herein is subject to change without notice. Neither the Company nor its advisors make any representation or warranty as to the accuracy or completeness of this information.

## **9. CONTACT INFORMATION**

For additional information, please contact:

Robert Kessler

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DeepShield Systems, Inc.

[CONTACT INFORMATION REDACTED]

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*This document is strictly confidential and subject to the terms of the applicable Non-Disclosure Agreement.*