ENGINEERING DEPARTMENT BUDGET ALLOCATION

DeepShield Systems, Inc.

Effective Date: January 1, 2024

Document Reference: DSS-ENG-2024-001

1. PURPOSE AND SCOPE

1. This Engineering Department Budget Allocation document ("Budget Allocation") establishes the authorized financial resources, spending parameters, and oversight mechanisms for the Engineering Department of DeepShield Systems, Inc. ("Company") for fiscal year 2024.

2. This Budget Allocation applies to all engineering operations, including but not limited to: Industrial Control System (ICS) security development, SCADA protection systems, maritime cybersecurity solutions, and associated research and development activities.

2. DEFINITIONS

1. "Engineering Department" refers to all organizational units under the supervision of the Vice President of Engineering, including Core Development, Security Architecture, Quality Assurance, and DevOps teams.

2. "Fiscal Year" means the Company's fiscal year running from January 1, 2024 through December 31, 2024.

3. "Capital Expenditure" means any single expense exceeding $10,000 or having a useful life of more than one year.

3. BUDGET ALLOCATION

1. Total Department Budget: $12,750,000

2. Budget Distribution:

a) Personnel Costs: $7,500,000

b) Research & Development: $2,750,000

c) Infrastructure & Tools: $1,250,000

d) Professional Services: $750,000

e) Training & Certification: $250,000

f) Contingency Reserve: $250,000

4. PERSONNEL ALLOCATION

1. Authorized Headcount: 85 Full-Time Equivalent (FTE) positions

2. Distribution by Function:

a) Core Development: 35 FTEs

b) Security Architecture: 20 FTEs

c) Quality Assurance: 15 FTEs

d) DevOps: 10 FTEs

e) Technical Program Management: 5 FTEs

5. SPENDING AUTHORITY AND CONTROLS

1. Approval Requirements:

a) Expenditures < $10,000: Engineering Team Lead approval

b) Expenditures $10,000 - $50,000: VP of Engineering approval

c) Expenditures > $50,000: CFO and CEO approval required

2. Budget Modifications:

a) Intra-category transfers up to 10%: VP of Engineering discretion

b) Inter-category transfers: CFO approval required

c) Total budget increases: Board approval required

6. REPORTING AND OVERSIGHT

1. Monthly Reports:

a) Actual vs. budgeted spending by category

b) Headcount and personnel cost tracking

c) Major project expenditure status

d) Variance analysis and explanations

2. Quarterly Reviews:

a) Budget performance assessment

b) Resource allocation effectiveness

c) Project milestone achievement

d) Return on investment analysis

7. SPECIAL PROVISIONS

1. Research & Development Projects:

a) Maritime Security Platform Development: $1,200,000

b) AI-Enhanced Threat Detection System: $900,000

c) OT Network Monitoring Advanced Features: $650,000

2. Infrastructure Investments:

a) Cloud Computing Resources: $500,000

b) Development Tools & Licenses: $400,000

c) Testing Environment Upgrades: $350,000

8. COMPLIANCE AND GOVERNANCE

1. All expenditures must comply with:

a) Company Financial Policies and Procedures

b) Sarbanes-Oxley Requirements

c) Internal Control Framework

d) Procurement Guidelines

2. Documentation Requirements:

a) Detailed expense records

b) Project cost accounting

c) Asset tracking and management

d) Vendor contract documentation

9. TERM AND AMENDMENTS

1. This Budget Allocation is effective for Fiscal Year 2024 unless amended.

2. Amendments require written approval from:

a) Vice President of Engineering

b) Chief Financial Officer

c) Chief Executive Officer

APPROVALS

APPROVED AND ADOPTED this 15th day of December, 2023.

DeepShield Systems, Inc.

James Morrison

Vice President of Engineering

Robert Kessler

Chief Financial Officer

Dr. Marcus Chen

Chief Executive Officer