

# Option3

Cybersecurity Private Equity



Results. Opportunities. Vision.

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**SIX YEARS OF INVESTING AND GROWTH**

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"There is an existential threat to our country and our democracy.

The hyper-connected nature of our world has exposed us to unprecedented compromise. Yet with each audacious attack, we pour money into lookalike defenses, often fighting yesterday's battles. We invest in creating endless start-ups developing technologies which do not find their way to where needed most.

We decided that dismissing this problem was no longer acceptable.

So, we chose a third option – we chose to take action."

Manish Thakur  
Managing Partner, Option3



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Results. Opportunities. Vision

## **SIX YEARS OF INVESTING AND GROWTH**

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A Message from the Managing Partner

## RETHINKING HOW AMERICA INVESTS IN CYBERSECURITY

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As a nation, we face an onslaught of escalating cyberattacks, now one every thirty-nine seconds. These attacks are not just increasing; they are turning more dangerous. Until recently, they largely involved financial or reputational losses. Now we face physical losses, with risk to life and limb. Some even utilize the very systems designed to defend us.

Option3 is launching a \$250M cybersecurity private equity fund focusing on control investments in proven mid-market companies that address U.S. national priorities

These attacks are happening against a backdrop of massive spending on security by our government and leading companies. Investors have similarly put billions to work, particularly in startups, recognizing the scale of the problem and its low correlation to the economy. But increased spending and investment alone cannot stop well-funded and determined adversaries, especially in a world which has seen a return to great power rivalry. We believe the online impact of the conflict in Ukraine will continue long after formal hostilities end.

### Cybersecurity Private Equity: Investing to Build Cyber Champions with Scale

We founded Option3 in 2015 with the specific mission to invest in those companies that America most needed in the coming five years. We do not come at this as commercial technologists, but as people who have spent their lives fighting an unseen adversary, largely in the U.S. National Security Community.

Building on the momentum from 2 successful private portfolios, we are launching “C2”, a \$250M cyber private equity fund. Unlike our earlier investments in younger companies, C2 will focus on proven mid-market companies where we seek control positions.

At launch, C2 will have a pipeline of potential buyout/control investments in up to six Option3 portfolio companies. These include two companies we are in the process of creating ourselves, through buyout and partnership, in areas we believe there is a gap in the market. These deals offer significant potential for medium-term returns, and we are reserving “capacity” for the Fund to lead future rounds.

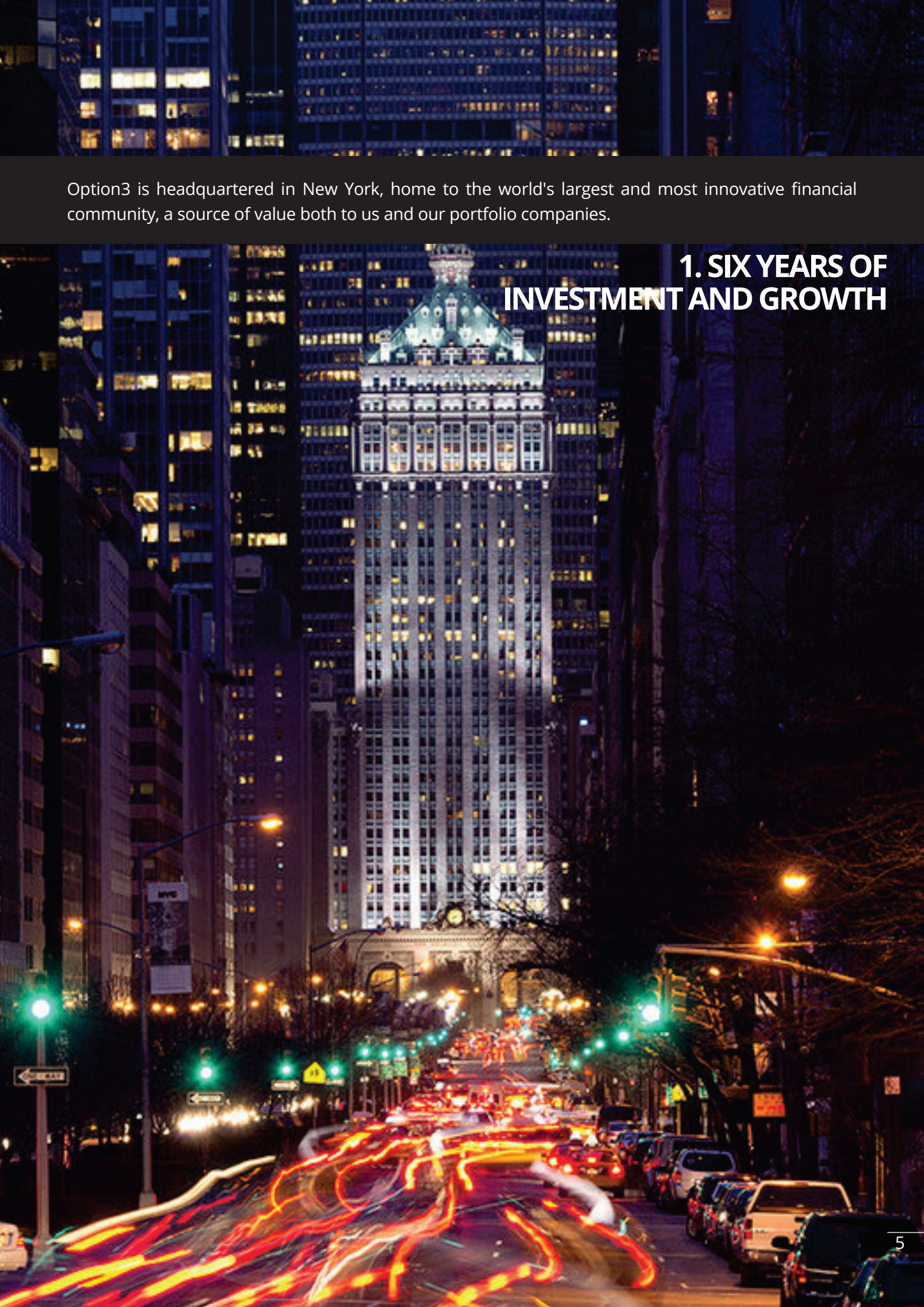
We are now talking to early investors who will form a limited group of “Founder Limited Partners”, benefitting from lower fees and smaller minimum investment sizes. In the following pages, we invite you to learn more about C2, Option3, and to come join us.

Over the past 6 years, we have successfully brought expertise from the classified world to investment decision making, launching two portfolios - both tracking to deliver strong returns

**Manish Thakur**  
Managing Partner







Option3 is headquartered in New York, home to the world's largest and most innovative financial community, a source of value both to us and our portfolio companies.

## 1. SIX YEARS OF INVESTMENT AND GROWTH



## Cybersecurity Investment Specialists

# AN INVESTMENT FIRM WITH A NATIONAL SECURITY PERSPECTIVE

Over the past six years, we have built a specialist cybersecurity investment firm that integrates cyber expertise gained in the classified world of U.S. national security with investment and capital markets expertise that ranges from venture to buyout, debt finance and M&A, and is experienced operationally across the C-suite. We have developed an ecosystem that generates investment opportunities targeted at pre-selected focus areas and created a two-track self-correcting technology diligence process led by some of the top cyber experts in the intelligence community and military.

We have done this while making and exiting investments largely through two investment portfolios and funded in good part with our own capital as we sought to prove our abilities and build a track record.

8 Investments, 2 Pending

2 Exits, 2 Unrealized Gains

6 Buyout Candidates in Portfolio

\$23M Invested, \$60M Pending

\$13M Returned

\$48M Est. Assets

2 Investment Vehicles

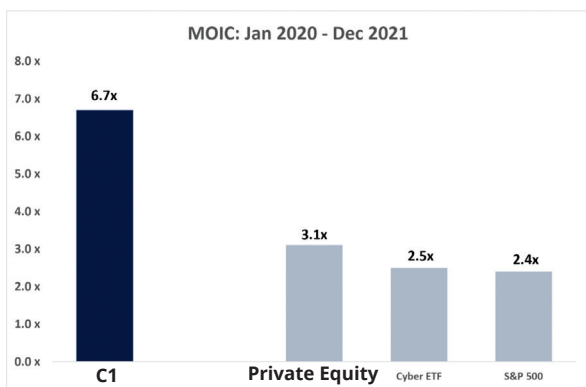
CS: Est. Returns (1 yr): 1.6x

C1: Est Returns (6 yrs): 6.7x

Our investments span venture, growth equity and control transactions though largely focus on earlier stage companies, where the best opportunities were to be found. In our new fund, we are shifting to the mid-market, reflecting both the maturation of the sector, and the prior expertise of our team.

Today, we have shifted to focus predominantly on buyouts or control investments where our operating team can play an active management support role. Our CS portfolio contains one such investment, and we are currently working on two other control investments (one buyout, one is an Option3-led consortium). These, along with 3 other Option3 portfolio companies where we do not have control constitute a pipeline of 6 possible future buyouts or control growth equity investments for our C2 Fund.

C1 vs Key Market Indices (Jan 2020 - Dec 2021)



CS vs Key Market Indices (Jan 2020 - Dec 2021)



### Investment History (As of Dec 2021)

Est. Assets \$48M<sup>1, 2, 3, 4</sup>  
Capital Invested \$23M plus \$60M pending<sup>1, 2</sup>  
Capital Returned \$13M<sup>1</sup>

Investments 8 plus 2 pending  
Realized Exits 2 strategic sales

### Timeline of Investment Vehicles

2022 C2 Diversified Cyber Buyout/Control Equity Fund  
2022 - 2 standalone investments: Buyout/Control Equity  
2020 CS Special Situations SPV. Control/Venture portfolio  
2015 C1 Option3 mkt entry SPV ("fund"). Venture Portfolio  
2015 - Standalone investment: Growth Equity/Debt

1. Includes entire \$9.6M CS. commitment.

2. Includes investment by Option3 predecessor firm.

3. Includes both assets under management and assets returned to investors.

4. For the purpose of calculating portfolio returns only, we value our holding in CNI on our understanding of the Company's financial assets and business. We believe there to be significant value in CNI's patent infringement claim, potentially far exceeding our valuation, as indicated by the \$3.2 billion judgment in its favor against CISCO that will be relitigated after being overturned on an unrelated technicality, but we do not attempt to attempt to assess likely outcomes on the specific outcomes of CNI's claims against CISCO or on its claims against Palo Alto Networks, Key Sight, or any other possible future claim. There is also a dispute between Option3 and CNI with respect to our percentage ownership, which is pending litigation. For the purposes of this returns analysis only, we have utilized the percentage ownership interest reported to us by CNI in 2021 even though we believe it to be higher.



# Establishing a Track Record of Success

## PORTFOLIO AND PERFORMANCE

2022/3

### TENTH FLEET

100% Buyout Pending  
Active Cyber Defense

### DYNAMIC TRUST

Special Situation Pending  
Cyber Insurance

2021



**Unrealized Gain**  
Control Investment Partnership with Denso (Toyota Group)  
Automotive Security

2020



Series B Round Co-Investor Deal led by Pendrell  
IoT/OT Security



Series A Round Sole Investor  
SMB Threat Intel Cyber Insurance

2018/9



Strategic Equity In Partnership with Schweitzer Labs Dynics & Interstates  
Industrial Controls

2017



Series A Round Co-Investor  
Encryption/Software Defined Networking



**Strategic Sale**  
Sold to EagleView Technologies  
Image Risk Analytics

2016



**Unrealized Gain**  
Landmark \$3.2B patent award. Retrial After Technicality  
Threat Intelligence

2015



**Strategic Sale**  
Sold to Symantec  
Data Loss Prevention

### Notable Investments

Fastest Realized Return: OmniEarth 12 months. 144% IRR  
Largest Expected Return: Centripetal \$34M on \$3.75M Invested  
Highest Expected IRR: Dellfer Based on Est Value on 12/2022

### Option3-led Portfolio Companies

Option3 is leading the formation of two new companies that can be game changers in their fields. When combined with the 4 investments in CS, they provide the C2 Fund with a pipeline of 6 potential buyouts at its launch.

### Notable Investment

**Tenth Fleet** Building a Champion in Active Cyber Defense through Buyout and Acquisition  
**Dynamic Trust** Option3 led strategic consortium Launching New Concept in Cyber Insurance

### CS Investment Vehicle

**Est. Assets** \$15M  
**Est. Returns** 1.6x

### Notable Investment

**DENSO, Option3 Partnering in Automotive Security. All Cars Bought in Last Decade Vulnerable**

Option3 invested in partnership with DENSO, a \$50B automotive supplier and member of the Toyota Group, jointly taking board control. It will be its first major customer and is now negotiating a contract in the hundreds of millions of dollars vs our post-money valuation of \$25M.

### C1 Investment Vehicle

**Est. Assets** \$34M  
**Est. Returns** 6.7x

### Notable Investment

**CNI wins \$3.2B Patent Judgement, Largest in History, But Must Face Retrial Following Unrelated Legal Technicality**

We invested in Centripetal ("CNI") based on detailed review of its technology and potential government orders. In 2020, CNI was awarded a \$3.2 billion judgment against CISCO, which came with a 150-page opinion which CISCO is now appealing. This is the largest patent award in U.S. history, and roughly 30x the value of the entire company when we invested. This is not CNI's first victory in court, and it has since filed a suit against Palo Alto Networks.

# Bringing Classified Cyber Expertise to Investment Decisions

## ASSEMBLING A UNIQUE INVESTMENT CAPABILITY



### INVESTMENT HISTORY

Venture Capital  
Growth Equity  
Buyout/Control

### CAPITAL MARKETS EXPERIENCE

Hedge Funds/PIPEs  
Public and Pvt Debt  
Mergers & Acquisitions

### FINANCIAL MANAGEMENT

Chief Financial Officer  
Treasury  
Risk Insurance

### Leadership Team

Investment Community



#### MANISH THAKUR

*Managing Partner*

25 yrs Private Investing. M&A. Security/Telecom.  
HFG, Cowen, Merrill Lynch, Boeing-led Ellipso venture.



#### MERRICK ANDLINGER

*Chief Investment Officer*

25 yrs principal investing in PE and VC  
Andlinger & Co., Smith Barney, Salomon Brothers.



#### MICHAEL SCHOENBACH

*Partner*

30 yrs insurance new product development. M&A.  
Aon, Schoenbach Risk Advisors



#### LISA DONNAN

*Operating Partner*

25 yrs commercializing technology. Software/Cyber.  
TASC, Salient CRGT, BCE Inc., Neustar



#### DR. PETER FONASH

*Chief Technology Officer*

30 yrs in computer hardware/software  
DHS Cyber Comms Office

National Security Community

### Senior Strategic Advisor



#### RICHARD S. FULD JR.

*Former CEO of Lehman Brothers*

### Advisory Council

Experts drawn from cyber, finance, industry  
and government

### Technology Board



#### ALAN WADE

*Former CIO  
Central Intelligence Agency*



#### JOHN STENBIT

*Former Assistant Secretary  
Department of Defense*



#### GREG AKERS

*Former SVP  
Cisco Advance Security*



#### RICH ARMOUR

*Former CISO  
General Motors  
Hewlett Packard*



### WHY OUR NATIONAL SECURITY HERITAGE MATTERS

The U.S. government is the largest spender on cybersecurity globally, and its most advanced practitioner. It sees over the horizon and around corners. Its reach is so vast that the Washington region has the world's largest cyber workforce.

#### ***This ecosystem is our prime source of deal flow***

We come from this community, which is found across the top of security organizations across the private sector. Knowing the end-user and its pain points directly sets our investment priorities.



## ESG Investments That Focus on National Priorities and Support Diversity

### MISSION AND INCLUSION

Option3 was founded by its Managing Partner, Manish Thakur, Armeane Choski, and Jamil Sopher. As one of only a handful of investment firms that are minority-owned, diversity has been core to our ethos from the beginning. Today, the Option3 team spans gender, race and religion, with veterans in our team and on all our boards. This commitment to mission and inclusion extends to the portfolio companies we invest in.

We built Option3 with the belief that business is better when it serves a higher purpose, and when all voices are heard.



Option3 is especially committed to expanding the opportunities for women. We are proud of Lisa Donnan for her work in addressing the sector's diversity gap, and Jennifer Fearon for her work in both ESG and philanthropy.

"Option3 Operating Partner, Lisa Donnan, joins 14 other women cyber experts to publish practical advice to improve cybersecurity strategies and foster diversity."

#### FIGHT FIRE WITH FIRE

##### Chapter 5

Proactive Cybersecurity Strategies for Today's Leadership

Addressing the Skills and Diversity Gap

Option3 Advisory Council member, Jennifer Fearon is recognized for her leadership in ESG and in philanthropy with interests ranging from mental health to education.

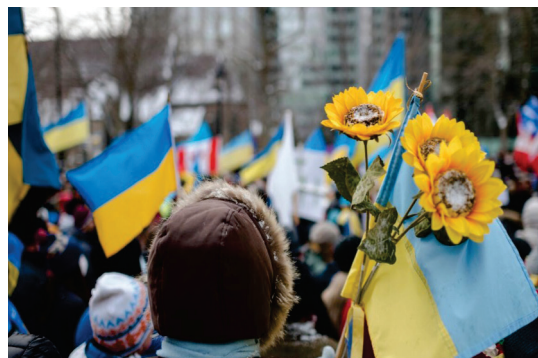


### INVESTING IN CYBERSECURITY AS PART OF AN ESG STRATEGY

*"There are clearly considerable factors at play which are making cybersecurity an interesting prospect for businesses, investors and the general public."*

*JP Morgan ESG Report*

Cybersecurity is fundamental to our security whether on a national, business or personal level. Including it as part of the ESG metric is part of an inevitable and important trend as investors recognize the fundamental role our digital interconnectedness plays in the health and functioning of our society, particularly given its primary role in the lives and livelihood of so many during this pandemic.



KPMG opines that cybersecurity not only aligns with the "G" in ESG, but also with "E" and "S"

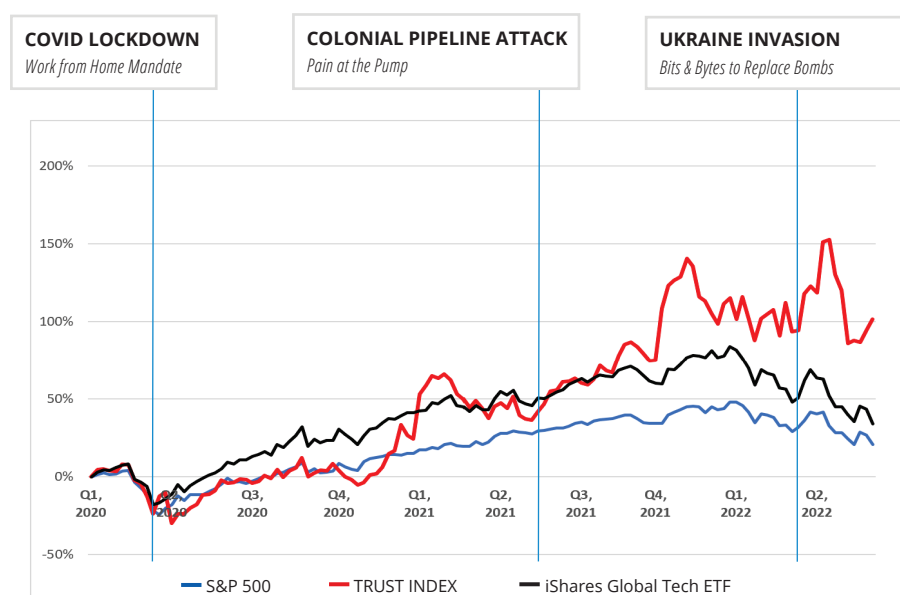
**Governance** to ensure systems and procedures are in place to prevent data breaches and other compromises  
**Social** concerns cover privacy rights, and best practices as to what companies are doing with users' information  
**Environmental** benefits accrue when investments benefit others, becoming a public good. Good digital hygiene creates a safer world, both online and in the physical world.

## Measuring Investor Sentiment with an Index that is Pure Play and Broad Based **OPTION3's PROPRIETARY CYBER TRUST™ INDEX**

TRUST™ was originally created by our investment team for use internally to monitor public market sentiment toward the sector as more cyber companies launched IPOs. We saw that the small (but growing) group of cyber indices contained diversified companies whose stocks were not driven by their cyber businesses, and that some indices were further skewed by active trading designed to boost the performance of ETFs that were linked to them.

The TRUST™ index comprises only pure play cybersecurity companies. Within this universe we use an “equal weighting methodology” so that the a truly broad based measure of investor sentiment to the sector.

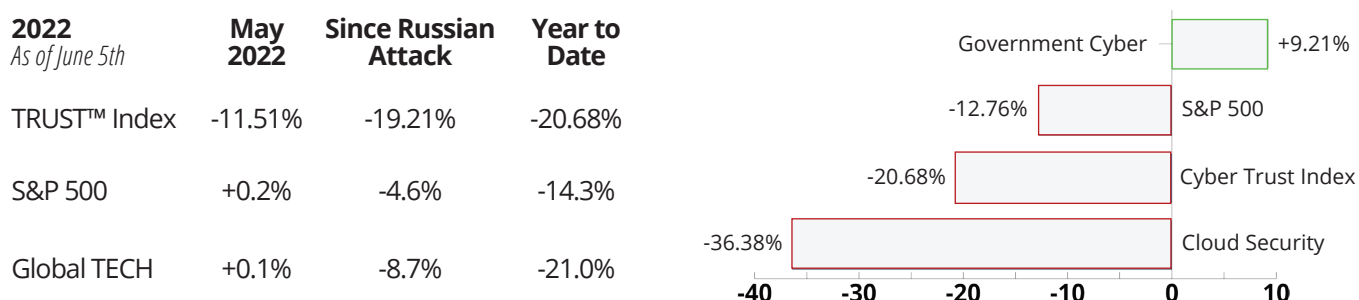
*Option3 has made the TRUST™ index freely available to all investors at [www.cybertrustindex.com](http://www.cybertrustindex.com)*



Despite recent profit taking, Cyber has outperformed key benchmarks since 2020, reflecting its continuing higher growth. Cyber stocks have seen major rallies triggered by global events like COVID and Ukraine.

### **CYBER “INDICATORS” PROVIDE CONTEXT TO TOP LEVEL INDEX**

With a larger universe of publicly traded pure play cyber stocks, we have begun to get perspective with regards the various subsectors that make up the cyber industry. While there may not be enough stocks to populate sub-sector indices, Option3 maintains an evolving group of “Indicators” that provide context to the top level TRUST™ index. This public market perspective is of direct relevance in our private investment decisions. The dramatic differences between the various sub-sectors underscores the importance in factoring shifting sector dynamics.







## **2. LAUNCHING C2 - \$250M CYBERSECURITY PRIVATE EQUITY FUND**

Option3's operating and technology team is based in Reston, Virginia, which was recently connected to Washington's growing metro system. Protecting physical infrastructure - transportation networks, electric grids, telecommunications or even hospitals - is a key investment theme of our new C2 Fund.

# Concessionary “Founder” Terms for Early Investors

## OPTION3 C2 FUND SUMMARY

Option3 Cyber II, LP (“C2” or the “Fund”) seeks to make buyout or control investments in mid-market cybersecurity companies that address our nation's most pressing priorities.

It is managed by Option3, a specialist cybersecurity investment firm with a national security heritage, broad investment expertise and deep operational experience.

Option3 began deploying capital on behalf of C2 in 2020 through our CS portfolio, which C2 will purchase at the end of 2022. Those investments are now estimated at \$15M and will serve as a pipeline of potential future control transactions for the Fund.

### C2 INVESTMENT HIGHLIGHTS

- Investments exclusively in cybersecurity, focused on proven mid-market companies and managed by cyber investment specialists.
- Proprietary deal flow focused on U.S. cyber priorities, utilizing Option3's national security networks
- Control investments with active management to enable Option3's "C-suite" operating team to accelerate growth.
- Experienced team with proven track record together investing in cyber, and extensive prior mid-market buyout experience.
- Fund Starting Portfolio of 4 deals (Est. \$15M) is part of larger pipeline of 6 potential buyouts (incl 3 controlled by Option3).

### C2 INVESTMENT STRATEGY

C2 will be highly differentiated from most other cyber funds, which tend to focus on venture investing:

1. Invest in proven mid-market companies
2. Focus on Current U.S. Cyber Priorities, most notably Physical Infrastructure
3. Control Investments/Buyouts with Active Management by Option3 operating team.

Our target hold periods will typically be 3-5 years, and the most likely exits will be strategic sales to larger players or consolidation within the industry.

### C2 TIMELINE

C2 will begin general marketing to potential Limited Partners in January 2023. Ahead of that, it will be open to early investors as we fund existing investments that will join the Fund later in the year. Early investors will be classified as Founder Limited Partners and receive concessionary terms (outlined above). Management expects to cap investment in this category to \$35M, and interested investors are encouraged to contact us.

### C2 FUND SUMMARY

Size	\$250M
Strategy	Cybersecurity Private Equity Buyout/Control Investments
Starting Investments	4 investments. \$15M Est. Value
Fees	2.0% Management Fee 20% Carried Interest. 6% Pfd. Return
Fund Term	7 years with 3 x 1-year extension
Minimum	\$1M Investment Size
Attorney	Reed Smith LLP
Auditor	PKF O'Connor Davies LLP
Administrator	VMS Fund Administration LLC

### C2 FOUNDER TERMS FOR EARLY INVESTORS

Status	Founder Limited Partners
Fees	1% Management Fee 10% Carried Interest 6% Pfd. Return Fund
Minimum	\$250K Investment Size
Timeline	Calendar 2022 100% funding upon commitment
Maximum	Upper limit \$35M

### C2 PORTFOLIO CONSTRUCTION

Buyout/Growth	80% Companies	10-15
Starting Portfolio	10% Target EBITDA	>\$5M
Special Situations	10% Avg Equity Investment	\$35M

### C2 STARTING PORTFOLIO & PIPELINE OF FUTURE DEALS

At launch, C2 will have a pipeline of 6 buyouts/growth investments – all in existing Option3 portfolio companies. Four of these holdings will become part of the Fund as its “Starting Portfolio”. The other two include a buyout Option3 is currently working on, and a special situation opportunity created with strategic partners.



## Identifying New Opportunities As the Sector Matures

### FOCUS ON MID-MARKET INVESTING

The cybersecurity sector has not just grown in numbers over the years, it has evolved. Companies that would have been acquired in an earlier era now have the funding to develop, generating a growing mid-market opportunity. Over the past few years, classic private equity investment into cybersecurity has outpaced venture investing, nearly all done by generalist investment funds.

#### Growth Equity

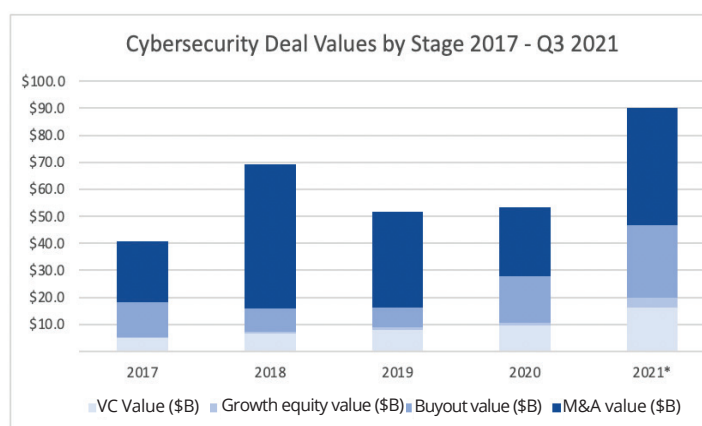
Growing class as more venture-backed companies enter Series C/D and beyond. Some Cyber VCs are following their investments into this category.

#### Small-Mid Buyouts

Includes both venture-backed companies willing to do a strategic (or 51%) sale to a financial buyer, as well as generational change at older, often family-run companies.

#### Large Buyouts

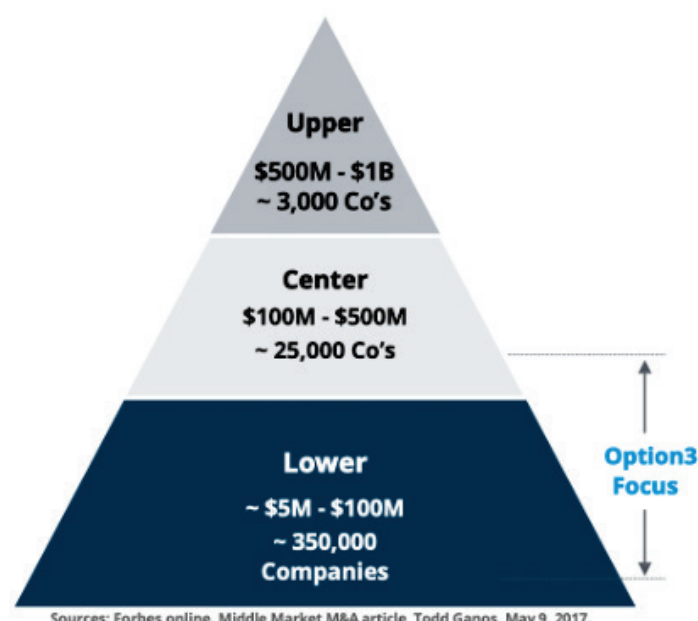
Large PE firms (typically diversified) are entering the field focusing on large blockbuster deals, typically earlier successful cyber companies or large service companies.



### INDUSTRY GROWTH AND CONSOLIDATION

Over the past 10 years, the number of cybersecurity companies has risen dramatically, particularly with increased IT security budgets and increased venture capital available to new entrants. The number of companies making it to the mid-market has also shown a corresponding, if smaller, increase.

There is now a sense that there may be too many companies in the sector as security officers complain about too many companies in their infrastructure. This portends a move to consolidation. At the same time, a new generation of successful cyber companies are selectively looking to acquire capabilities as they seek to become platforms in the next step in their own development.



### WHY WE FOCUS ON THE MIDDLE MARKET

- Universe of companies with successful technology but in need of sales organization or capital.
- Sound family-owned companies with succession issues are typically found in this part of the market.
- Spin-offs or divestitures of cyber units from larger telecom, defense or IT companies.
- Successful earlier stage companies that have entered the mid-market not interested in exiting entirely to a large consolidator, but can be persuaded to join a smaller firm that allows them to retain their visibility.
- Better relative valuations in the mid-market than either the frothy venture market or the over-bought large company sector.

## C2 Portfolio Will Reflect Changing Needs

# INVESTING IN U.S. NATIONAL CYBER PRIORITIES

Cybersecurity is not one homogeneous sector, but rather consists of an evolving array of sub-sectors with new ones getting created with the introduction of new technologies or threats, and others disappearing as they get baked into systems as standard features. Our TRUST™ Index and Cyber Indicators reveal very different investor sentiment to different parts of the cyber market, often with markedly different valuation parameters. Thematic selection is therefore of critical importance. Option3 has identified long-term themes that drive the sector. Each theme may have within it many technology cycles. Combined, they reflect the country's most urgent cyber priorities and focus areas.

THEME	BACKGROUND	TECHNOLOGIES/MARKETS	OPTION3 INVESTMENTS
Cyber-Physical Systems	Focus on attacks on systems that move - including aging critical infrastructure	Operation Technology Critical Infrastructure Internet of Things 5G. EDGE/FOG	Onclave Dellfer Veracity OmniEarth
Automation	Global shortage of 4 million cyber jobs while data is exploding and attack surfaces multiplying	Machine Learning Zero Trust	Centripetal Networks Dark3 Watchful Software
Disruptive Technologies	Reimagining legacy solutions or creates new capabilities. Can help adversary as much as defender	Artificial Intelligence Software Defn Networks. Blockchain Quantum Computing	Onclave Certes
Risk Transfer and Analytics	Technologies dealing with risk of attack, governance, privacy concerns	Insurance. Risk Identification/Mitigation	Dynamic Trust

Our C2 Fund will focus on real world physical infrastructure threats including the risk management and governance that companies are increasingly having to deal with. Such focus areas therefore include:

Cyber Physical - OT and IoT Critical Infrastructure Supply Chain Protection	Cyber Insurance Governance, Risk, & Compliance Software development processes	Automation Transformational Technologies Active Cyber Defense
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## INTERNATIONAL OPPORTUNITIES, AND GLOBAL ADVISORY BOARD

We expect that the majority of C2's investments will be in the United States, particularly companies linked to the National Security community. Despite this, we believe we will see growing numbers of attractive opportunities overseas, particularly in Europe and Israel. We will therefore have flexibility to deploy capital out of the C2 Fund internationally, and expect that international investments could account for 10-20% of the Fund. Indeed, Option3's first investment was in a Portuguese company that we ultimately sold to Symantec. To that end, we have developed an International Advisory Board.

Emanuel Couturier	Paris	Cyber expert at French defense conglomerate
Maurice Ben Ezra	Geneva	CEO of Penta Asset Management
Jamil Sopher	Washington	Family Office Investor, and co-founder of Option3
TBD	London	
TBD	Tel Aviv	
TNV Ayyar	Mumbai	Advisor to Indian corporates and to U.S. funds in India



## C2 Positioned to Lead in 3 Investments Where Option3 is Taking a Control Position

# CONTROL INVESTING AND ACTIVE MANAGEMENT

Our C2 Fund seeks to invest primarily in buyouts and control investments. This approach is rooted firmly in the prior background of our partners in private equity, M&A, or managing PE-backed firms, and our ability and willingness to take a more active role in governance and operations. Indeed, in Option3's first deal, a growth equity and debt investment in Watchful Software, our team led a complete turnaround before selling the Company to Symactec. Over the past few years, we have assembled a pipeline of six potential buyout/control investments for the C2 Fund. Of these, three are investments where Option3 already has taken or is taking control of joint control ahead of the launch of the Fund, providing it a base of "in-house" deals where it is positioned to lead.

### OPTION3'S CURRENT/PENDING CONTROL INVESTMENTS

Ahead of the launch of C2, Option3 has taken, or is taking, control positions in three very different investments. We believe each of these companies has the potential to be a gamechanger in its field. In fact, in two of these cases, Option3 conceived the opportunity and created the companies itself (through buyout or industry partnership) after identifying a gap in the market, expecting our C2 Fund could play an ongoing lead role.

*These 3 Option3-controlled companies have the potential for \$150M of investments.*

	TENTH FLEET	DYNAMIC TRUST	DELLFER
Current Option3 Investment	Mid Mkt Buyout (Pending)	Seed Investment (< \$1M) Part of \$10M Round (late 2022)	\$4.25M Venture Investment Currently, 20% ownership
Option3 Vision	Create Industry Leader Through Roll-up Acquisition Strategy	Pioneer New Model for Cyber Insurance (Large Loss MGA)	Transform Auto Cyber Co into Leader in Cyber IoT
Option3 Governance	Option3 Control	Option3 Control	Joint Control w/ Denso of Japan
Option3 Operating Role	Created Concept Leading Initial Buyout Will Lead Subsequent Roll-up	Created Concept & Strategy See Capital Management Create strategic consortium	Option3 has Chairman role Help build Sales Organization Govt mkt entry strategy
C2 Investment Opportunity	<b>\$50M Growth Equity Co-Investment Opportunity</b>	<b>\$50M Buyout or Growth (Multiple Rounds)</b>	<b>\$20-30M Buyout or Growth (One or More Rounds)</b>

### PRIOR C-SUITE OPERATING ROLES OF OPTION3 TEAM MEMBERS

The Option3 team have directly relevant mid-market experience across the C-suite.

Chief Executive Officer/ Managing Partner	Chief Financial Officer/ Risk Officer/Treasurer	Chief Marketing Officer/ Chief Strategy Officer	Chief Technology Officer/ Chief Information Officer
President of Andlinger & Co CEO of Hudson Fairfax Grp CEO of Pure Energy Corp Executive Chairman of AgCert International	CFO of Ellipso Inc (Boeing Venture) Senior MD, AON Transaction Services Treasury at alternative asset funds	CMO of Bell Canada Tele globe CMO of NeuStar VP Strategy at TASC EVP of Command Info President, BTS	CTO of DHS Cyber Dept CIO of Dept of Defense CIO of CIA SVP Security Initiatives, CISCO CTO Intact Insurance CTO IptiQ (Swiss Re)





### 3. BUILDING A PIPELINE OF OPTION3 LED OPPORTUNITIES

For over a century, Lloyds of London has anchored the insurance industry. But experience alone cannot assess new risks, particularly ones that change daily. Option3's Dynamic Trust introduces a new approach to cyberinsurance, one built on artificial intelligence and continuous monitoring.



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## Option3-Led Consortium Rethinking Cyber Insurance

### DYNAMIC TRUST

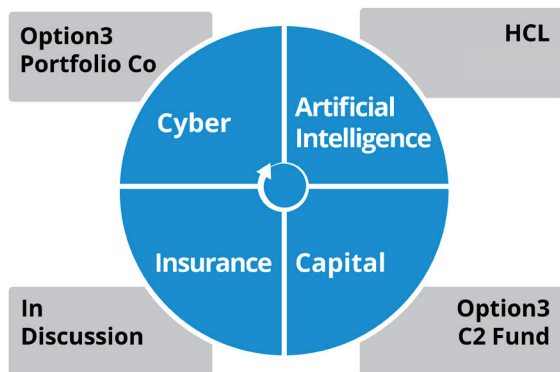
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For most businesses, cybersecurity is now a question of risk management. The risk mitigation from investing in robust security can be augmented or complemented by the risk transfer offered by the insurance industry. But while the need for cyber insurance is obvious, providing it is not simple. Early providers have been unable to gauge risk properly and are now facing mounting losses forcing them to raise rates or cut limits, sometimes dramatically. There is now a lack of cyber insurance capacity.

The insurance industry traditionally models risk based on large volumes of historic precedent, typically pricing a risk on annual basis. In the case of cyber, however, there is little historic claims data, with few realistic proxies. And while the risk of an earthquake or medical event may not change much over a year, the risk of a cyber-attack may change dramatically, with the actions of the insured party themselves playing a significant role.

#### DYNAMIC TRUST CONSORTIUM

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"In the field of Artificial Intelligence, *Dynamic Trust* represents a data-informed, analytical methodology to assess and prioritize the risk a party and its actions present."

Sean Plankey

"In return for allowing greater access to a company's IT systems to monitor cyber risk and compliance, we believe Dynamic Trust can lower rates or increase coverage for large enterprises seeking cyberinsurance."

Manish Thakur

#### OPTION3 ADVISORY COUNCIL EXPERTISE

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**Sean Plankey** **Cybersecurity and Artificial Intelligence**  
Frmr Deputy Asst Sec of Cyber, Dept of Energy  
Frmr Global Cyber Intelligence Advisor, BP

**Vineet Bansal** **Insurance and Insurtech**  
Frmr CIO Intact Insurance  
Frmr CTO, IptiQ (Swiss Re)

#### DYNAMIC TRUST BOARD

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**Michael Schoenbach** Frmr Managing Director,  
AON Transaction Services

**Unnamed** Chief Strategy Officer of top  
specialty insurer & global reinsurer

**Manish Thakur** Managing Partner, Option3  
Board Member: Dellfer, Onclave

#### INTRODUCING TARGETED CYBER RISK ASSESSMENT, MONITORING AND PRICING

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Dynamic Trust uses advanced Cybersecurity and Artificial Intelligence tools to introduce a paradigm shift in measuring and pricing risk in the field of cyber insurance and reinsurance. As attacks rise and losses mount, Dynamic Trust proposes a new way to assess risk, one that does not utilize historic claims data in unrelated fields or try to artificially fix rates for long periods with a single annual quote. This approach is no longer tenable when risks can change daily and are profoundly impacted by the actions that we ourselves take. Dynamic Trust ingests directly relevant data measured over the life of the policy, utilizing purpose-built risk models, even rewarding customers who comply with cyber commitments written into their policies with either reduced rates or increased coverage. The Company will focus on large

and medium size businesses, with an initial focus on global industries such as oil & gas. Dynamic Trust was founded by Option3 after we saw the need in the market that our specialists did not believe was being addressed. Option3 is now assembling a consortium of companies in the cybersecurity, artificial intelligence and insurance sectors to both bring Dynamic Trust quickly to market, and ensure it has the distribution and financial backing it requires.

Specialized Cyber Risk Assessment/Monitoring Tools

Proprietary Dynamic Risk and Pricing Models

Flexible Pricing Models That Reward Access/Compliance

# Option3 is Working on a Buyout That Will Form the Basis of a Roll Up Strategy

## TENTH FLEET – CREATING A LEADER IN ACTIVE DEFENSE

Tenth Fleet is a new company being created by Option3 with the purpose of quickly becoming a leader in the field of Active Cyber Defense, one that will ultimately offer a range of Deception Technology products not available in one place elsewhere. The initial base of the company will be a buyout that Option3 is currently negotiating. From this, Tenth Fleet will quickly grow as it leads a consolidation of best-in-kind companies in an industry that is notorious for being highly fragmented. By providing a broad suite of products along with cloud availability and SaaS business model, we believe Tenth Fleet will be attractive to both customers, and to investors.

### OPTION3 TENTH FLEET BUYOUTS IN NEGOTIATION

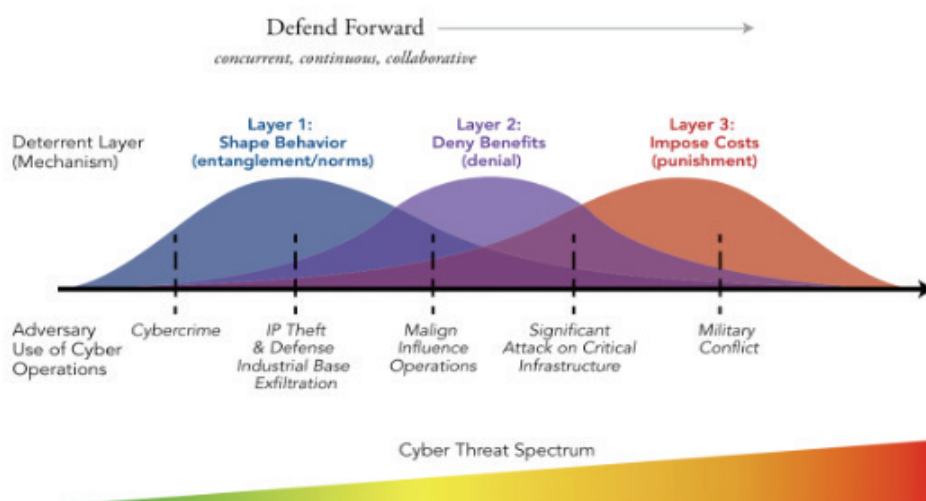
Option3 has been vetting a target list of over 20 buyout candidates. We have retained a leading Washington, D.C. investment bank, McLean Group, whose focus is security and defense. McLean's mission is to help with pipeline, transaction execution and capital raising. We have executed numerous NDA's and are in discussions with a handful of targets. Option3 is negotiating a Letter of Intent to make its first purchase for Tenth Fleet for ~\$10 million. The general structure is to buy businesses using part cash and part equity in Tenth Fleet, as a mechanism to incentivize acquired companies' owner/managers to help grow Tenth Fleet. Future add-on candidates will range in size of EBITDA from \$1 million to \$10 million. After 3-6 acquisitions, total invested capital could reach between \$100 million and \$150 million. The investment horizon is 3 to 4 years before seeking an exit.

### ROLL UP STRATEGY

- Source companies primarily from the U.S. National Security ecosystem and commercial industry
- Build a holding company (Tenth Fleet) that operates and grows core businesses
- Develop a unified platform: Enhanced capabilities. Cloud enabled. SaaS model.

### HOW CYBER DETERRENCE WORKS TO DEFEND FORWARD

Source: U.S. Cyberspace Solarium Commission Final Report



### ACTIVE DEFENSE MARKET

	Digital Transformation	Shortage of technical staff	Unrelenting evolution of threats	USG effectiveness & efficiencies	Increased Defense spending	New cyber capabilities
PRIVATE SECTOR	Layer/Capabilities	Layer1: Data Analysis Tech	Layer 2: Deception Tech	Layer 3: Offensive Cyber Operations	PUBLIC SECTOR	
	(Sub-) Market Name	Extended Detection & Response	Active Defense (non-military)	Active Defense (military)		
	Market Size/Growth	\$1.8B   19.6% CAGR (2026)	\$2.8B   13.3% CAGR (2026)	\$6.4B   6.7% CAGR		
	Example Problem Set Solution	Problem: IP theft Solution: Leverage analytics to detect and identify adversary	Problem: Critical infra. attack Solution: Use honeypots, traps, and false data to trick adversary	Problem: Military conflict Solution: Use offensive cyber tools to hack back at adversary		



# Option3

Cybersecurity Private Equity



## Website

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