

Series B Funding Term Sheet

Nexus Intelligent Systems, Inc.

Confidential Document

Date of Issuance: January 22, 2024

Parties:

- Nexus Intelligent Systems, Inc. ("Company")
- Horizon Ventures Capital Partners, LP ("Lead Investor")

1. Transaction Overview

1 ****Financing Round****: Series B Preferred Equity Financing

2 ****Total Raise Amount****: \$25,000,000

3 ****Pre-Money Valuation****: \$125,000,000

4 ****Investor Participation****:

- Horizon Ventures Capital Partners, LP: Lead Investor
- Quantum Innovation Fund: Participating Investor
- Strategic Technology Partners: Co-Investor

2. Security Terms

1 ****Security Type****: Series B Convertible Preferred Stock

2 ****Conversion Rights****:

- Each preferred share convertible to common stock at 1:1 ratio
- Automatic conversion upon qualified public offering exceeding \$250,000,000
- Optional conversion at investor's discretion

3 ****Liquidation Preference****:

- 1x non-participating liquidation preference
- Pro-rata participation after initial return of capital

3. Investor Rights

1 ****Board Representation****:

- Lead Investor granted right to appoint one (1) board member
- Observer rights for additional investors

2 ****Information Rights****:

- Quarterly financial statements
- Annual audited financial reports
- Monthly operational dashboards
- Access to key performance metrics

3 ****Anti-Dilution Protections****:

- Weighted average price-based protection
- Full ratchet provisions for down-rounds

4. Governance Provisions

1 ****Voting Rights****:

- Preferred shareholders vote on:
- Board composition
- Material corporate transactions
- Fundamental changes to corporate structure

2 ****Protective Provisions****:

- Investor consent required for:
- Material acquisitions
- Significant debt issuance
- Amendments to corporate charter
- Executive compensation modifications

5. Financial Covenants

1 ****Use of Proceeds****:

- Product development: 40%
- Sales and marketing expansion: 30%
- Working capital: 20%

- Strategic reserves: 10%

2 ****Performance Milestones****:

- Revenue growth target: 45% YoY
- Gross margin improvement: Minimum 55%
- Customer acquisition cost reduction: 25%

6. Representations and Warranties

1 ****Company Representations****:

- Valid corporate organization
- No pending litigation
- Accurate financial statements
- Compliance with applicable laws
- Intellectual property protection

2 ****Investor Representations****:

- Accredited investor status
- Financial capability
- Understanding of investment risks

7. Closing Conditions

1 ****Conditions Precedent****:

- Satisfactory due diligence
- Execution of definitive agreements
- Board and shareholder approvals
- No material adverse changes

8. Confidentiality and Exclusivity

1 ****Confidentiality****:

- 5-year non-disclosure commitment
- Restricted use of proprietary information
- Mutual confidentiality obligations

9. Miscellaneous

1 ****Governing Law****: Delaware

2 ****Dispute Resolution****: Binding arbitration in San Francisco, California

3 ****Entire Agreement****: This term sheet supersedes all prior discussions

Signature Block

Accepted and Agreed:

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Dr. Elena Rodriguez

CEO, Nexus Intelligent Systems, Inc.

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Managing Partner

Horizon Ventures Capital Partners, LP

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