

# Equity Dilution Analysis for Series B Financing

## Confidential Document

Prepared for: Nexus Intelligent Systems, Inc.

Date of Preparation: January 22, 2024

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## 1. EXECUTIVE SUMMARY

This Equity Dilution Analysis ("Analysis") provides a comprehensive assessment of the potential equity dilution associated with the proposed Series B financing round for Nexus Intelligent Systems, Inc. (the "Company"), a Delaware corporation specializing in enterprise AI services and predictive analytics.

### 1.1 Key Financing Parameters

- Proposed Financing Amount: \$15,000,000
- Pre-Money Valuation: \$75,000,000
- Post-Money Valuation: \$90,000,000
- Proposed Equity Issuance: New Preferred Series B Shares

## 2. CURRENT CAPITALIZATION

### 2.1 Existing Equity Structure

- Total Outstanding Common Shares: 5,250,000
- Total Outstanding Preferred Shares (Series A): 2,750,000
- Total Outstanding Stock Options: 750,000
- Fully Diluted Capitalization: 8,750,000 shares

### 2.2 Ownership Breakdown

- Founders: 42.5%
- Series A Investors: 31.5%
- Employee Option Pool: 8.6%
- Unallocated: 17.4%

### **3. PROPOSED SERIES B DILUTION ANALYSIS**

#### **3.1 Proposed Investment Terms**

- New Preferred Shares to be Issued: 1,666,667
- Investor Ownership Post-Financing: 18.5%
- Liquidation Preference: 1x Non-Participating

#### **3.2 Dilution Impact**

- Founder Ownership Reduction: 7.2%
- Series A Investor Ownership Reduction: 5.5%
- Employee Option Pool Impact: Minimal (0.3%)

### **4. FINANCIAL IMPLICATIONS**

#### **4.1 Per Share Metrics**

- Current Common Share Price: \$14.28
- Series B Preferred Share Price: \$9.00
- Implied Discount: 37%

#### **4.2 Potential Valuation Scenarios**

- Base Case (Current): \$90,000,000
- Conservative Scenario: \$72,000,000
- Optimistic Scenario: \$108,000,000

### **5. RISK CONSIDERATIONS**

#### **5.1 Potential Dilution Risks**

- Future Financing Rounds
- Potential Convertible Securities
- Employee Stock Option Exercises

#### **5.2 Mitigating Factors**

- Strong Revenue Growth
- Expanding Enterprise Customer Base
- Technological Innovation Leadership

## **6. LEGAL DISCLAIMERS**

### **6.1 Limitation of Liability**

This analysis represents a good faith estimate based on current information. Actual results may vary. No warranty is provided regarding future financial performance or equity valuations.

### **6.2 Confidentiality**

This document contains proprietary and confidential information. Unauthorized disclosure is strictly prohibited.

## **7. SIGNATURES**

### **Executed By:**

Dr. Elena Rodriguez  
Chief Executive Officer  
Nexus Intelligent Systems, Inc.

Date: January 22, 2024

Michael Chen  
Chief Technology Officer  
Nexus Intelligent Systems, Inc.

Date: January 22, 2024

## **8. APPENDICES**

Detailed capitalization tables, investor term sheets, and supporting financial models are available upon request and subject to executed non-disclosure agreements.

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