

TERMS FOR CONVERTIBLE LOAN TO

[INSERT COMPANY NAME] LLC

[DATE]

The following is a summary of the principal terms ("**Term Sheet**") with respect to the proposed convertible loan to [•] LLC, an Iraqi limited liability company ("**Company**"). Except for the sections entitled "**EXPENSES**", "**EXCLUSIVITY/CONFIDENTIALITY**", "**GOVERNING LAW**", "**JURISDICTION**", this Term Sheet is for discussion purposes only and is not binding on the Company or the Investors (as defined below), nor is the Company or any of the Investors obligated to consummate the convertible loan financing until a definitive convertible loan agreement ("**CL Agreement**") has been agreed to and executed by the Company and the Investors.

COMPANY	[Legal Name], an Iraqi limited liability company, registered in [•] under registration No. [•] (" [•] " or " Company ").
FOUNDERS	[•], an [•] [national with passport no. [•]][company registered in [•] under registration no. [•]]
LEAD INVESTOR(S)	[Investor(s) Name(s)], or any of [its][their] affiliates (" Lead Investor(s) ").
MAJOR INVESTOR	An Investor who has extended a Convertible Loan with a minimum amount of [•]
INVESTORS	All investors, including [the] Lead Investor(s) and Major Investor(s).
MAJORITY INVESTORS	[Major] Investors whose aggregate principal Convertible Loan amounts represent a majority of the outstanding principal amount of all then-outstanding Convertible Loan amounts.
FINANCING AMOUNT	Up to \$[•] in aggregate principal amount of convertible loan (" Convertible Loan ").
USE OF PROCEEDS	The Company intends to use the proceeds of this offering for the purposes of [•].
INTEREST	[Simple/ Compounded] ¹ interest will accrue on an annual basis at the rate of [7]% ² per annum based on a 365 day year.
DUE DATE ³	Unless earlier repaid or converted, outstanding principal and unpaid accrued Interest on the Convertible Loan will be due and payable upon request of the Majority Investors made on or after the date which is [•] months from the date of the Convertible Loan Agreement (" Due Date ").

¹ As indicated in the TS template you provided, simple interest is typical for this type of financing

² This is the maximum allowed interest in Iraq

³ As this is now drafted as a convertible loan, the term due date is more appropriate than maturity date

**COMPULSORY
CONVERSION**

If the Company undergoes a capital increase and issues shares (“Shares”) in a transaction or series of related transactions resulting in aggregate gross proceeds to the Company of at least \$[•], including conversion of all outstanding Convertible Loans and any other indebtedness (“Qualified Financing”), then the Convertible Loans, and any accrued but unpaid Interest, must be Converted into Shares pursuant to the Qualified Financing at a price (“Conversion Price”) equal to the lesser of (i) [80]% of the Share price paid by the purchasers of Shares in the Qualified Financing and (ii) the price obtained by dividing \$[•]⁴ by the Company’s fully diluted capitalization as of immediately prior to the initial closing of the Qualified Financing (assuming full conversion of all Convertible Loans and other indebtedness).

**VOLUNTARY
CONVERSION**

If the Convertible Loans have not been previously Converted pursuant to a Qualified Financing, then, effective upon the Due Date, the Majority Investors may elect to Convert each of the Convertible Loans into Shares on the terms and conditions agreed upon by the Company and the Investors at a Conversion Price equal to the quotient of \$[•]⁵ divided by the number of outstanding, fully-diluted number of Shares immediately prior to the Due Date.

CONVERSION

Upon the occurrence of the events triggering either the Compulsory Conversion or the Voluntary Conversion, the Investor(s) shall have the right to require Conversion to occur either by:

- (a) Requiring the transfer of the corresponding number of Shares from the Founders; or
- (b) Requiring the payment of the applicable Conversion Price to the bank account of the Company against the issuance of the corresponding number of Shares to the Investor.⁶

“Convert” shall have the similar meaning.

SECURITY

- (a) The [Company][Founders] shall provide the Investor[s] with promissory notes to secure the Convertible Loan (“PN”).
- (b) The Founders shall pledge [all] [[•]% of] their Shares in the Company to the benefit of the Investor[s] until the Convertible Loan plus any accrued interest is either fully settled or Converted.

⁴ This represents the valuation cap

⁵ Typically the same as the valuation cap

⁶ Considering that in Iraq conversion of debt is not possible and new shares can only be issued against cash contribution, the way to convert into equity can be achieved by either transfer from existing shareholders, or paying the ‘converted amount’ into the company’s bank account so that shares can be issued to the Investor

CHANGE OF CONTROL	If the Company is acquired prior to the Qualified Financing, then at the Investor's option, either (i) Investor will receive an aggregate amount equal to [2.0] times the aggregate amount of outstanding principal and accrued but unpaid Interest, or (ii) the outstanding amount of the Convertible Loan plus any accrued and unpaid Interest will be converted into Shares at conversion price implied by a \$[●] fully-diluted valuation.
MOST FAVORED NATION	If the Company enters into any other convertible loan agreement or similar arrangements that have rights, preferences or privileges that are more favourable than the terms of the CL Agreement (including any rights, preferences or privileges that are added to the CL Agreement in any subsequent Closing), the Company shall provide equivalent rights to the Investors with respect to the CL Agreement (with appropriate adjustment for economic terms or other contractual rights acceptable to the Majority Investors).
PRE-PAYMENT	The principal and accrued Interest may not be prepaid unless approved in writing by the Majority Investors.
AMENDMENTS	The CL Agreement may be amended, or any term thereof waived, upon the written consent of the Company and the Majority Investors.
INFORMATION RIGHTS	Each Major Investor will be granted access to the Company facilities and personnel during normal business hours and with reasonable advance notification. The Company will deliver to each Majority Investor (i) annual, quarterly and monthly financial statements, in each case prepared in accordance with generally accepted accounting principles as soon as practicable but not less than 120 days following the end of the fiscal year, 45 days following the end of a fiscal quarter and 15 days following the end of the month, 3 respectively, [and annual financial statements shall be audited by an Independent nationally recognized accounting firm]; (ii) 30 days prior to the end of each fiscal year, a comprehensive operating budget forecasting the Company's revenues, expenses and cash position on a month to month basis for the upcoming fiscal year; and (iii) promptly following the end of each quarter, an up-to-date capitalization table.
PROTECTIVE PROVISIONS	The Company and each of the Founders undertakes that it will not, without the written consent of the Majority Investors, either directly or by amendment, merger, consolidation, or otherwise: <ul style="list-style-type: none"> (a) Liquidate, dissolve or wind up the affairs of the Company, or effect any merger or consolidation or any other deemed Liquidation Event. For purposes of this Term Sheet, a 'Liquidation Event' means a merger, acquisition, sale of voting control or sale of substantially all of the assets of the Company in which the shareholders of the Company do

not own a majority of the outstanding shares of the surviving corporation shall be deemed to be a liquidation;

- (b) Increase or decrease the share capital of the Company;⁷
- (c) Amend, alter or repeal any provision of the articles and memorandum of association of the Company;
- (d) Increase or decrease the size of the Management Committee;
- (e) Issue and distribute any dividends;
- (f) Become obligated under any loan or guarantee of indebtedness (other than indebtedness to financial institutions) in excess of \$[•] in the aggregate;
- (g) Create or hold shares in any subsidiary that is not a wholly-owned subsidiary or dispose of any subsidiary shares or all or substantially all of any subsidiary assets;
- (h) Cease to engage in a business that is substantially similar to the business engaged in, or contemplated to be engaged in, as of the Closing;
- (i) Engage in, or consummate, any sale, lease, assignment, transfer, exchange or other conveyance (including by exclusive license or otherwise) of all or substantially all of the assets of the Company in a single transaction or series of related transactions.

**MANAGEMENT
COMMITTEE**

The Majority Investors may require the Company to establish a management committee (“**Management Committee**”) and appoint [one] member[s] representing the Majority Investors to the Management Committee.⁸

KEY PERSON CLAUSE

[Founder] will commit to devote substantially all of his/ her professional business time and effort to the proper operation of the Company during a period of no less than [5] years post-Closing.

**CONDITIONS TO
CLOSING**

The Closing will occur upon the satisfaction of customary closing conditions, including, but not limited to:

- (a) Satisfactory completion of financial and legal due diligence;
- (b) Due execution of the CL Agreement;

⁷ This is instead of limiting it to issuance of preferred shares, as the concept of classes of shares does not exist in Iraq

⁸ There is no board of directors for an Iraqi LLC, however it is possible to have a contractual management committee

(c) Approval by the Investment Committees of the Investors.

REPRESENTATION AND WARRANTIES

Standard representations and warranties by the Company [and Founders].

FEES AND EXPENSES

Company to pay all legal and administrative costs of the financing at Closing, including reasonable fees and expenses (not to exceed USD [●]) of the [Company's / Investors'] counsel.

EXCLUSIVITY

The Company and the Founders agree that they will not, for a period of [60] days from the date these terms are accepted, take any action to solicit, initiate, encourage or assist the submission of any proposal, negotiation or offer from any person or entity other than the Investors relating to receiving financing for the Company [and/or the sale or issuance, of any of the shares of the Company] and shall notify the Investors promptly of any inquiries by any third parties in regards to the foregoing.

CONFIDENTIALITY

The Company and the Founders will not disclose the terms of this Term Sheet to any person other than officers, members of the Board of Directors and the Company's accountants and attorneys and other potential Investors acceptable to the Investors, without the written consent of the Investors.

THIRD PARTY RIGHTS

(a) The parties to this Term Sheet do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it[, except as expressly specified in **paragraph (B)** below].

(b) [The general partner or management company of any new Investor authorised from time to time to act on its behalf [or another person or persons nominated by a new Investor] shall be entitled to enforce all of the rights and benefits conferred on the new Investors under this Term Sheet.]

GOVERNING LAW

This Term Sheet and any non-contractual obligations arising out of or in connection with it will be governed by the laws of England and Wales.⁹

JURISDICTION

Any dispute arising out of or in connection with this Term Sheet shall be referred to and finally resolved by arbitration under the DIFC-LCIA rules, which rules are deemed to be incorporated by reference into this clause ("**Arbitration**") and: (i) the number of arbitrators shall be one; (ii) the seat, or legal place of the Arbitration, shall be Dubai, United Arab Emirates; (iii) the venue for the hearings shall be within the DIFC, Dubai, United Arab Emirates; and (iv) the language to be used in the Arbitration shall be English.

⁹ It is possible to opt for a foreign law, e.g. Laws of England and Wales

None of the parties to the Arbitration shall: (i) challenge any arbitral award made pursuant to the Arbitration; or (ii) object to or challenge any application to enforce any arbitral award made pursuant to the Arbitration in any court, and each such party agrees that it shall submit to the jurisdiction of that court for the purposes of those enforcement proceedings.

For and on behalf of

[NAME OF INVESTOR]

For and on behalf of

[NAME OF INVESTOR]

For and on behalf of

[NAME OF COMPANY]¹⁰

[NAME OF FOUNDER]

[NAME OF FOUNDER]

[NAME OF FOUNDER]

¹⁰

To be signed by the authorized person on behalf of the Company