

TERMS FOR EARLY STAGE INVESTMENT IN

[INSERT COMPANY NAME] LLC

[DATE]

The following is a summary of the principal terms ("**Term Sheet**") with respect to the proposed Early Stage Investment in [•] LLC, an Iraqi limited liability company (the "**Company**"). Except for the sections entitled "**EXPENSES**", "**EXCLUSIVITY**", "**CONFIDENTIALITY**", "**GOVERNING LAW**", "**JURISDICTION**", [and "**SPECIAL TERMS**"], this Term Sheet does not constitute a legally binding obligation. Any other legally binding obligation will only be made pursuant to a definitive investment agreement ("**Investment Agreement**") to be negotiated and executed by the parties.

FOUNDERS [•], an [•] [national with passport no. [•]][company registered in [•] under registration no. [•]]

SHARES TO ISSUE Shares of the Company [representing [•]% - [•]% of the share capital of the Company] ("**Investor Shares**").

[TARGET INVESTMENT AMOUNT]: Minimum of \$[•] [and maximum of \$[•] in aggregate].

LEAD INVESTOR(S) [Investor(s) Name(s)], or any of [its][their] affiliates ("**Lead Investor(s)**").

MAJOR INVESTOR An Investor who committed a minimum amount of [•] towards the [TARGET INVESTMENT AMOUNT]

INVESTORS All investors, including [the] Lead Investor(s) and Major Investor(s).

PRICE PER SHARE \$[•] ("**Original Issue Price**"), based on a pre-money valuation of \$[•], calculated based upon the capitalization of the Company as set forth in Exhibit A [inclusive of an available post-Closing option pool of 15% after receipt of maximum [TARGET INVESTMENT AMOUNT]]¹

MANAGEMENT FEE The Major Investor(s) and the Company shall enter into [a] management agreement(s) for purposes of supporting the management team of the Company. The Major Investor(s) shall be entitled to an annual management fee of [•]% of the annual revenue generated by the Company ("**Management Fee**")

SHAREHOLDERS' RESERVED MATTERS² Approval of the [majority of the] [Major] Investor[s] is required with respect to the following matters:

¹ For ESOP to work, and due to the limitations on the manner of capital increase in Iraq, the allocated shares can be held by the Founders so that the shares get transferred to the qualifying employee upon achieving certain targets

² These are based on the matters noted under the 'Voting Rights' section of the GUST TS; they are adapted to be more in line with the structure of an LLC under Iraqi Law. Those that do not apply are deleted (e.g. redemption of shares). Consider if others should be added

- (a) amending the articles and memorandum of association of the Company ("**Articles**");
- (b) increasing the share capital of the Company;
- (c) creating or authorizing the creation of any debt security if the Company's aggregate indebtedness would exceed [●]% of the aggregate proceeds of the [Major] Investors;
- (d) declaring or payment of any dividend;
- (e) [increasing the option pool reserve within two years following the Closing;]
- (f) Changing the composition of the management committee of the Company ("**Management Committee**"); and
- (g) liquidating or dissolving the Company, including any change of control [or Deemed Liquidation Event].

FINANCIAL INFORMATION

All Investors will receive annual financial statements and narrative update reports from management. Major Investors will receive quarterly financial and narrative update reports from management and inspection rights. Management rights letter will be provided to any Investor that requires such a letter.

PARTICIPATION RIGHT

Major Investors will have the right to participate on a pro rata basis in any subsequent capital increase in the Company.

INVESTOR PUT OPTION

At any time after the seventh anniversary of the Closing, the Major Investor[s] shall have the right to require the Founders to acquire [all or] part of their respective shares in the Company at a price equal to the Original Purchase Price plus all accrued but unpaid dividends and any other declared and unpaid dividends thereon ("**Put Price**").³ The Founders shall provide the Major Investor[s] with a promissory note to secure the Put Price ("**PN**"), as a condition to closing under the Investment Agreement.

MANAGEMENT COMMITTEE

The Company shall be managed by a general manager [from amongst the Founders] ("**General Manager**"), who shall report to a management committee ("**Management Committee**"). The Management Committee must be comprised from 3 members; two elected by the majority of the Founders and one elected by [the majority of] the [Major] Investor[s] (the "**Investor's Director**").

³ This is instead of the Redemption Rights as they are not applicable in Iraq. Please indicate whether you would like to maintain the flexibility or stipulate that the Put Option should be exercised in three equal intervals and within a certain term?

**MANAGEMENT
COMMITTEE
RESERVED MATTERS**

Without prejudice to the Shareholders' Reserved Matters, the approval of the Investor's Director is required with respect to the following matters:

- (a) appointing and dismissing the General Manager;
- (b) incurring indebtedness **[exceeding \$25,000]** for borrowed money prior to the Company being cash flow positive;
- (c) selling, transferring, licensing, pledging or encumbering technology or intellectual property, other than licenses granted in the ordinary course of business;
- (d) entering into any material transaction with any Founder, officer, director or key employee of the Company, or any affiliate or family member of any of the foregoing;
- (e) hiring, firing or materially changing the compensation of Founders or executive officers;
- (f) changing the principal business of the Company;
- (g) entering into any Deemed Liquidation Event that would result in the [Major] Investors receiving less than 5 times their Original Purchase Price. 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; and
- (h) approving the authority matrix of the Company, which must be designed in such a manner to ensure the application of the above Reserved Matters.

EXPENSES

Company to reimburse Investors a flat fee of \$[•] for background check expenses, due diligence and review of transaction documentation by Investors' counsel.

**IP RIGHTS AND
OTHER RESTRICTIVE
COVENANTS**

Each Founder shall have assigned all relevant IP to the Company prior to Closing and shall have entered into a non-disclosure, non-competition and non-solicitation agreement (to the fullest extent permitted by applicable law), with such non-competition and non-solicitation covenants to be applicable during the term of his or her employment by the Company and for one year after the termination thereof.

[LOCK UP

Each Founder shall remain as a shareholder in the Company for a minimum period of four years, but shall have the right to dispose of a maximum of 25% on the first anniversary of the Closing, where such percentage increases over the following 36 months (“**Exit Target**”).]

FOUNDER MATTERS

Each Founder shall have four years vesting beginning as of the Closing, with 25% vesting on the first anniversary of the Closing and the remainder vesting monthly over the following 36 months. Full acceleration upon (“**Double Trigger**”). Founders shall be subject to an agreement with the [Major] Investors⁴ pursuant to which the [Major] Investors shall have a right of first refusal with respect to any proposed transfer of Shares at the price offered.

CONDITIONS PRECEDENT⁵

Closing is conditional upon:

- (a) agreement of the terms of the Investment Agreement;
- (b) satisfactory completion of financial, legal and, if appropriate, commercial and insurance due diligence on behalf of the New Investors;
- (c) the proposal being approved by the [board]/[investment committee] of the [Investors];
- (d) the Investors being satisfied with:
 - (i) the terms of the Company’s banking arrangements;
 - (ii) the terms of the service agreements of the executive directors of the Company;
 - (iii) [the responses given by the Founders to the New Investors’ questionnaire;] and
 - (iv) the financial position and trading prospects of the Company immediately before Closing and with the forecasts of the newly formed group;
- (e) [Keyperson insurance on [NAMES OF KEY FOUNDERS] being obtained for the benefit of the Company and suitable directors and officers insurance;]
- (f) resolutions being passed by the Company:

⁴ Considering that the Company cannot buy the Shares, the ROFR shall be granted to the Investors

⁵ These conditions are typical in such an investment

- (i) adopting new Articles in a form satisfactory to the Investors, containing our key requirements; and
 - (ii) authorising the Capital Increase to allow for the issuance of the shares to the Investors;
- (g) the adoption of the Authority Matrix;
- (h) The IP Rights duly assigned to the Company and the Founders having signed all the documents required under the Restrictive Covenants section above; [and]
- (i) [OTHER CONDITIONS].

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 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 Management Committee and the Company's accountants and attorneys and other potential Investors acceptable to the Investors, without the written consent of the Investors.

RESTRICTIVE COVENANTS

The Company shall also procure that the executive directors shall not engage or be interested directly or indirectly in any business other than the business of the Company (whilst they are directors) and that appropriate restrictive covenants will be entered into in the event that an executive director or existing investor leaves the employment of the Company.

SPECIAL TERMS

[Deal specific comments/conditions inserted here. Otherwise "None"]

WARRANTIES

Each of the Founders will provide warranties of a nature and type suitable for such an investment, in particular:

- (a) on the accuracy of the facts in the business plan;
- (b) on the reasonableness of the assumptions and forecasts contained in the business plan;
- (c) the knowledge of the Founders as to any inaccuracy in the business plan;

- (d) on the accuracy of the facts contained in any accountants' report, legal report, commercial report or insurance report;
- (e) on the reasonableness of any assumptions and forecasts contained in any accountants' report, legal report, commercial report or insurance report;
- (f) no failure to disclose any material information to the New Investors;
- (g) no business interests other than shareholdings in the Company or companies quoted on a recognised investment exchange;
- (h) "clean" company warranties in respect of the Company, in particular that it has no assets, no actual or contingent liabilities, etc, and that it has no subsidiaries;
- (i) personal warranties from management that they have not:
 - been convicted of criminal offences (save for road traffic offences not resulting in a custodial sentence); or
 - been disqualified from being a company director; and
 - warranties on the Company.

LIMITATIONS ON LIABILITY

- (a) The warranties will be given [jointly and] severally by each of the Founders.
- (b) [Each Founder's individual maximum liability will be [three times salary]/[the value of their investment [\$(●)].]
- (c) A financial threshold in respect of a claim or claims aggregating up to \$(●) shall apply and if that de minimis is exceeded the full amount of the claim or claims shall be payable.
- (d) [INSERT OTHER]

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.⁶

JURISDICTION

Any dispute arising out of or in connection with this Term Sheet shall be referred to and finally resolved by arbitration under the Dubai International Finance Center (DIFC) – London Court of International Arbitration (LCIA) rules, which rules are deemed to be incorporated by reference into this clause (the “**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. 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.

⁶

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

[SIGNATURE PAGE FOLLOWS]

For and on behalf of

[NAME OF INVESTOR]

For and on behalf of

[NAME OF INVESTOR]

For and on behalf of

[NAME OF COMPANY]⁷

[NAME OF FOUNDER]

[NAME OF FOUNDER]

[NAME OF FOUNDER]

⁷

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