

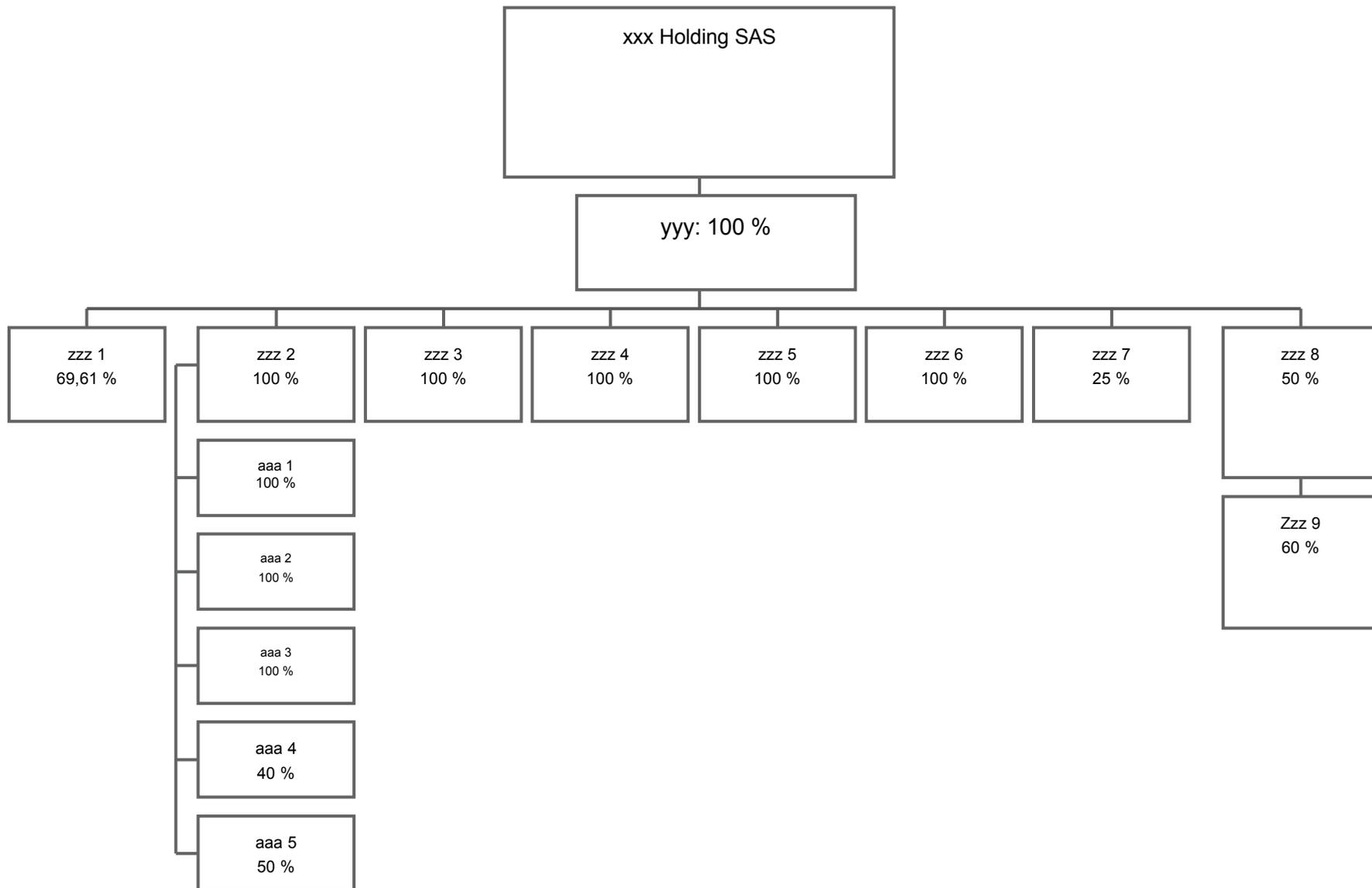
Project [name]

Draft due diligence report

[DATE]

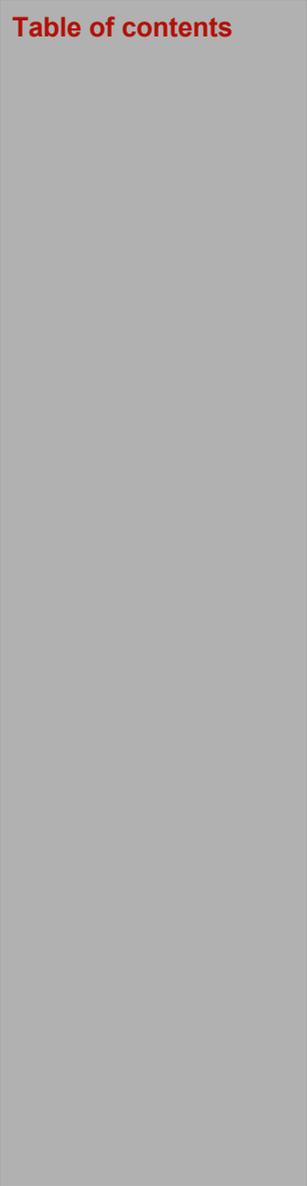


Organization [of the target and its group]



Project [] – Draft due diligence report

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Project [] – Draft due diligence report

List of abbreviations and definitions

xxx Holding S.A.S.
zzz S.A.S. France
yyy S.A. France

xxx Holding
ZZZ
yyy

Project [] – Draft due diligence report

EXECUTIVE SUMMARY

Company	Area of Investigation	Subject Matter	Preliminary Finding	Recommendation/ Risk Assessment	Commented in Detail in Report on Page/in Section	Importance
xxx	Corporate	Pledge	xxx's business is pledged for an amount of €xxx.	According to management, the pledge should be released shortly.	Page xxx, Section xxx	low
xxx	Corporate	Management	Management decisions are taken by xxx who is the President of xxx.	If xxx is not within the acquisition scope: change of President (xxx instead of yyy) to be dealt with on signing.	Pages xxx and xxx, Section xxx	high
xxx	Corporate	Regulated agreements	Management Service Agreement entered into between xxx and yyy.	If xxx is not within the acquisition scope: transfer of the Management Service Agreement by xxx to yyy to be dealt with on signing.	Page xxx, Section xxx	moderate

Scope of work

Context and scope of the due diligence

Private and confidential

Mr. xxx

[Date]

Dear Sirs,

We herewith provide you with our Legal Due Diligence Report (the "Report") regarding the contemplated acquisition, through xxx, of the entire share capital of XXX (the "Company").

- 1. This Report has been prepared by [name of law firm] on behalf of [name of client] pursuant to the engagement letter dated xxx and subject to the terms and conditions thereof.
- 2. In accordance with our instruction we have reviewed the documents and other information relating to the Company in the period between xxx and xxx to identify legal risks. Excluded from the scope of the Report are any [tax, financial, environmental (to the extent not legally assessable), technical, insurance matters and key supply agreements]. The Report is designated as a so-called red flag report, i.e. we have only flagged those risks which in our opinion were deemed relevant in the context of the acquisition of the xxx Group through xxx. Our review and legal assessment of the documents and information provided by the Seller, therefore, only relates to such risks we deemed substantial for the acquisition and a post-acquisition integration into the xxx group. As far as the review of documentation did not give rise to any specific comments from our side, such documentation, or the subject matter thereof, is not expressly discussed or described.
- 3. The Report only relates to the documents made available by the management of the Company to us between xxx and xxx and the answers provided by the management of the Company to our various questions. The index of documents reviewed is attached as Annex A. We do not undertake any responsibility for the completeness and correctness of the documents and information provided by the management of the Company to us.

Some of our questions have only been answered in interviews but not in writing. Furthermore, there may exist matters and documents which have not been disclosed to us, which are therefore not attached to or referred to in this Report, about which we have no knowledge or information but which may nevertheless be relevant to the subject matter of this Report. It is the nature of a legal due diligence that it reviews legal matters and not technical, financial or commercial issues or the accuracy and completeness of factual statements contained in the documents that have been reviewed. It cannot, for example, reach a conclusion or express an opinion as to the expansion or contraction of the operations of the Companies after any acquisition.

- 4. Our Report only relates to the laws of F xxx.
- 5. This Report has been prepared on the basis of the documents available until xxx. We assume that there have been no changes regarding such documents and other information from this day on. We further undertake no responsibility to update this Report without explicit instruction.
- 6. This Report has been prepared exclusively for xxx. The Report, its contents and conclusions are strictly confidential and shall not be distributed to third parties (fully or in part) without our prior written consent.

Yours sincerely,

Corporate Documents

The Company

Overview

- The Documents regarding the corporate aspects are in generally good order and do not raise particular concerns except those summarised below.
- XXX's business is pledged for an amount of €xxx. According to the Company's Management, the release of this pledge is in progress.
- Management decisions of XXX are currently taken by YYY (in its position as the President of the Company). As YYY is not within the scope of acquisition, it will be necessary to change the President of the Company on closing.
- The articles of association of XXX provide for restrictions on the transfer of shares. However, such provisions should not be applicable in the context of this transaction as the change of control will not take place at the level of this company and as XXX is owned by a single shareholder.

Key corporate information

- XXX (hereinafter "**XXX**" or the "**Company**") is a French *société par actions simplifiée* registered with the Trade and Companies Register of xxx under number xxx, with a registered share capital of EUR xxx divided into xxx ordinary shares of €xxx each fully paid up. Its registered office is at xxx. It was incorporated on xxx.
- The corporate business purpose of the Company is [to be completed].
- The Company has [a sole shareholder], YYY, and is managed by a President who is xxx.
- According to a certificate of registration (*extrait Kbis*) dated xxx, XXX has its principal place of business at xxx.

Shareholders

- XXX currently has a share capital of €xxx, divided into xxx shares with a par value of €xxx each.
- According to the share ledger as at xxx, the shares of the Company are held by the following shareholders: [to be completed].

Management

- xxx is managed by a President who has been appointed by the shareholders on xxx [to be completed].
- Article [] of the articles of association (*statuts*) provides that the President has been vested with the most extensive powers to act on behalf of the company within the limits of its corporate business purpose and the powers specifically vested by law in the shareholders. He represents xxx in dealings with third parties [and may delegate some of his powers to representatives of his choice] [to be completed].

Company decisions

We have reviewed the following documents: [to be completed].

- On [date] (document number), the annual accounts for the financial year from January 1, 2007 – December 31, 2007 of XXX were approved. According to this document, the annual profit amounted to EUR xxx and was carried forward. Furthermore, in the same meeting, the shareholders resolved that no fees would be paid to the President for the year 2007. The annual accounts were certified by xxx.

Corporate Documents

The Company

Decisions of the Board

- According to the minutes of a meeting of the Board of Directors dated xxx, XXX was authorised to become a party to a facility agreement of EUR xxx entered into by xxx with [Bank] on [date]. This adhesion allows XXX to draw money from the facility agreement by means of intra-group loans. Furthermore, the Board also authorised the pledge of xxx shares of XXX to secure the repayment of the aforementioned facility agreement. The Board also authorised the conclusion of a cash management agreement with xxx (as it is a regulated agreement).

Note:

Regulated agreements

According to French law, regulated agreements are agreements between a joint-stock company and one member of its management or one of its shareholders (holding at least a 10% stake) or in which a member of the management or a shareholder (holding at least a 10% stake) is directly or indirectly involved or interested. In a *société par actions simplifiée*, these agreements have to be approved by the shareholders' meeting and mentioned in the auditor's special report (if the company has several shareholders) or at least be mentioned in the register of the minutes of the sole shareholder's decisions as a regulated agreement (if the company has a sole shareholder).

The Management Services Agreement dated xxx between xxx (the President of the Company) and xxx (the Company) is a regulated agreement under French law which has not been mentioned in any sole shareholder's decisions we reviewed. Yet, given the fact that xxx has a single shareholder, this does not affect the validity of this regulated agreement.

Commercial Leases

Commercial Leases

- We have reviewed one sub-lease and three commercial leases. Please refer to the table provided for a detailed review of these documents. The legal set of rules governing commercial leases (articles L. 145-1 et seq. of the French commercial code) are applicable to the sub-lease and leases.
 - They set forth mandatory rules, in many respects protective of the tenant, intended to ensure that the tenant will be able to renew the lease and thus to continue to conduct his business and preserve his customers. The tenant is entitled to the renewal of the lease upon its expiry. However the landlord may refuse to renew the lease provided that he pays the tenant a termination indemnity ("*indemnité d'éviction*"), the amount of which will be determined by reference to the value of the business operated in the premises or the relocation costs of such business.
 - Increase of the rent upon renewal may not exceed the variation of the INSEE (the French statistics institute) national construction cost index that has occurred since the initial rent was determined under the expired lease, unless one of the parties to the lease can produce evidence of a substantial change in the contractual relationship between them or in local commercial factors.
 - As an exception, article L. 145-34 of the French commercial code provides that a lease that has been entered into (i) for a period of more than nine years, or (ii) for a period of nine years but which has been tacitly extended after its termination date, for a period of more than three years, is not subject to the above principle, so that the rent of the next renewed lease must correspond to the market value.
 - The three leases concerning the premises located at xxx, xxx and xxx use the same model lease contract and contain the same general conditions. With respect to the same leases, proper identification of the lessor should be requested as the company's registration number is not indicated.
 - The four documents do not contain proper identification of the parcels of land which are rented. References from the town planning registry (reference number, number of plot...) would be needed to accurately pinpoint the limits of the said parcels.
- We would like to draw your attention to the following issues:
 - With regards to the sub-lease agreement relating to the premises located in xxx and as indicated in the table, we have not been provided with the main lease between xxx and xxx. It is necessary to review the main lease in order to determine whether the sub-lessor has a valid right to occupy the land and to sub-let the premises and whether the sub-lease has been authorised by the landlord. It should also be checked whether (i) xxx, as subtenant of the premises located in xxx, has a right to renewal and (ii) xxx or the landlord have taken any steps with regard to the renewal or termination of such lease (it being noted that xxx, as a tenant, is entitled to obtain such renewal).
 - The aforementioned sub-lease and two other leases will expire on xxx. Under French legal rules which apply to commercial leases, if there is neither a notice of termination (*congé*) served by the (sub-)lessor nor a request of renewal made by the lessee at least six months before the expiry of the lease, the lease or sub-lease will be automatically extended for an undetermined period and any party will be entitled to terminate it after the date of renewal subject to a six month notice.
 - We understand that the termination of the commercial lease relating to the premises located in xxx is in progress. The termination of such a lease requires in principle a six month notice. Consequently, detailed information regarding the termination of this lease and the cost of such termination (if any) should be requested from the seller.
 - We also have been informed that the landlord of the premises located in xxx intends to terminate the lease agreement because he wants the premises back. We understand that negotiations are pending between the landlord and the tenant (seller). Detailed information regarding the possible termination of this lease and the status of the negotiations should be requested from the seller.

Real Estate

Commercial Leases

- As an exception, article L. 145-34 of the French commercial code provides that a lease that has been entered into (i) for a period of more than nine years, or (ii) for a period of nine years but which has been tacitly extended after its termination date, for a period of more than three years, is not subject to the above principle, so that the rent of the next renewed lease must correspond to the market value.

Note:

[to be completed]

List of documents reviewed

Documents reviewed

Corporate documents

1. Copy of a certificate of registration (*extrait Kbis*) of xxx dated [to be completed]
2. Copy of the articles of association of xxx dated [to be completed]
3. Copy of the minutes of the sole shareholder's decisions dated [to be completed]

Real estate documents

4. Copy of a commercial lease agreement dated [to be completed] entered into between [to be completed]

Commercial contracts

5. Copy of a commercial contract dated [to be completed] entered into between [to be completed]

Corporate documents

Corporate information

1.Document reviewed:	
Memorandum, Articles of Association and/or Certificate of Registration:	
(a) Objects clause:	
(b) Share capital and capital structure:	
(c) Restrictions on transfer of shares:	
(d) Any unusual provisions:	
Registered office/ secondary office/ branch office:	
Shareholders (including percentage and voting conditions):	
Supervisory Board (number of members, members, rights):	
Directors (number of members, members, rights):	
Unusual items in minutes of the supervisory board's/ directors'/ shareholders' resolutions:	
Interests in share capital, options, shareholder agreements, liens, mortgages, charges and other encumbrances:	
Other findings:	
Reviewed by whom/date:	

IP/IT rights and agreements

1.Document reviewed:	
Kind of right:	
Object of right (trademark, patent, copyright, domain name...):	
Holder of right:	
Scope (class, territorial scope...):	
Date of filing:	
Expiration date:	
Any unusual provisions:	
Findings:	
Reviewed by whom/date:	

Real estate documents

Commercial leases

1.Document reviewed:	
Premises:	
Parties:	
Date:	
Expiry date of Lease:	
Termination:	
Option to extend lease:	
Rent payable (payment terms):	
Rent revision:	
Deposit:	
Guarantee:	
Permitted use of property:	
Repairs and renovation works/ expenses/ taxes:	
Assignability:	
Effect of change of control:	
Other unusual/onerous/ important provisions:	
Governing law:	
Findings:	
Reviewed by whom/date:	

Appendix []

Real estate documents

Buildings owned

1.Document reviewed:	
Details of Real Estate:	
(a) Location:	
(b) Name:	
(c) Registration number:	
(d) Acreage:	
Registration of title (include date of certificate):	
Encumbrances (include date of certificate):	
Value (total):	
Findings:	
Reviewed by whom/date	

Commercial contracts

Agreements,
commitments, trading
arrangements

1.Document reviewed:	
Parties:	
Date:	
Term:	
Termination:	
Quantity to be delivered:	
Price:	
Non competition clause:	
Assignability:	
Exclusivity:	
Territory:	
Effect of change of control:	
(Limitation of) liability clause:	
Arbitration clause:	
Other unusual/onerous/ important provisions:	
Governing law:	
Findings:	
Reviewed by whom/date:	

Appendix [] Employment

Employment and consultant contracts

1.Document reviewed:	
Details of Employment Contracts:	
(a) Parties:	
(b) Job description:	
(c) Commencement and term:	
(d) Remuneration/ Salary: - fringe benefits - options - voluntary pension benefits	
(e) Termination:	
(f) Non-Competition Period:	
(g) IPR:	
(h) Applicable collective agreement:	
(i) Governing law:	
Reviewed by whom/date:	

Appendix []

Employment

Pension

1.Document reviewed:		
Details of Pension arrangements:		
(a) Description of mandatory pension schemes:		
<ul style="list-style-type: none"> - insurance/fund - level of the benefit/cost for the employer 		
(b) Description of arrangements exceeding mandatory pension schemes:		
<ul style="list-style-type: none"> - insurance/fund - level of the benefit/cost for the employer - employees covered by the benefit - how can the arrangement be amended 		
(c) The effect of the transaction on a possible pension fund:		
<ul style="list-style-type: none"> - will employees transferring loose benefits (not be covered by the pension fund) 		
(d) The capital of the pension fund:		
<ul style="list-style-type: none"> - excess or deficit 		
Reviewed by whom/date:		

Appendix []

Insurance

Insurance policies

1.Document reviewed:	
Parties:	
Kind and scope of Insurance (including policy number):	
Term:	
Annual Cost (premium):	
Excess:	
Cap:	
Specific clauses (assignment, change of control...)	
Governing Law	
Unusual/Unfavourable terms:	
Findings:	
Reviewed by whom/date:	

Appendix []

Financing

Credit facilities/
financial documents

1.Document reviewed:	
Facility/type:	
Lender(s):	
Borrower(s):	
Other parties involved:	
Date:	
Account number:	
Amount:	
Value:	
Agent (syndication):	
Majority bank level (if syndicated):	
Purpose:	
Date of loan payout:	
Interest payment dates:	
Availability:	
Interest rate:	
Default interest:	
Scheduled pre-payment date:	
Optional pre-payment:	
Mandatory pre-payment:	
Security/guarantee/comfort letters:	
Principal affirmative covenants:	
Financial covenants:	
Principal negative covenants:	
Events of default/grace periods:	
Other points to note (change of control clause, assignability, third-party rights...):	
Governing Law:	
Findings:	
Status of loan (active, terminated...)	
Reviewed by whom/date:	

Appendix []

Litigation

Litigation, arbitration,
mediation

1.Document reviewed:	
Description:	
(a) Plaintiff/defendant:	
(b) Summary of the facts:	
(c) Heads of claim:	
(d) Date when process started and instance:	
(e) Stage:	
Value of interest:	
Judgment or settlement:	
Findings:	
Reviewed by whom/date:	

Appendix []

Environment

Environment

Soil and groundwater	
Findings	
Comments	
Water and waste water	
Findings	
Comments	
Air emissions	
Findings	
Comments	
Water use and discharges	
Findings	
Comments	
Ozone depleting substances	
Findings	
Comments	
Asbestos	
Findings	
Comments	

Appendix []

Others

Permits/ licenses

1.Document reviewed:	
Permit/Licence reviewed:	
Parties:	
Date of Permit/Licence:	
Expiry of Permit/Licence:	
Conditions:	
Other points to note:	
Findings:	
Reviewed by whom/date:	

Appendix []
Others

Tangible assets

1.Document reviewed:	
Agreement or Registration:	
Parties:	
Date:	
Term:	
Termination:	
Approvals or Authorisations:	
Encumbrances:	
Other unusual/onerous /important provisions:	
Governing law:	
Reviewed by whom/date:	

Appendix []

Others

Remaining documents

1.Document reviewed:	
Parties:	
Date:	
Term:	
Termination:	
Assignability:	
Effect of Change of Control:	
Other points to note:	
Value:	
Governing Law:	
Findings:	
Reviewed by whom/date:	