

Attorney or Party Name, Address, Telephone & FAX Numbers, and California State Bar Number Peter Susi, Bar No. 62957 Jonathan G. Gura, Bar No. 214240 Michaelson, Susi & Michaelson 7 West Figueroa Street, 2nd Floor Santa Barbara, CA 93101 (805) 965-1011; (805) 965-7351 (fax) peter@msmlaw.com; jon@msmlaw.com	FOR COURT USE ONLY
<b>UNITED STATES BANKRUPTCY COURT          CENTRAL DISTRICT OF CALIFORNIA</b>	
In re: ADVANCED PACKAGING & PRODUCTS COMPANY,  <p style="text-align: center;">Debtor(s).</p>	CASE NO.: ND 08-11392-RR

### NOTICE OF SALE OF ESTATE PROPERTY

<b>Sale Date:</b> 7/28/09	<b>Time:</b> 10:00 a.m.
<b>Location:</b> 1415 State Street, Courtroom 201, Santa Barbara, CA 93101	

Type of Sale:     Public     Private    Last date to file objections: 7/14/09

Description of Property to be Sold: SEE INSERT #1

Terms and Conditions of Sale: SEE ATTACHED ASSET PURCHASE AGREEMENT

Proposed Sale Price: \$106,719.45

Overbid Procedure (If Any): Initial minimum overbid \$10,000. Subsequent overbids of \$5,000.

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

Contact Person for Potential Bidders (include name, address, telephone, fax and/or e:mail address):

David Y. Farmer  
P.O. Box 1443  
San Luis Obispo, CA 93401  
(805) 541-1626; dyfarmer@farmerandready.com

Date: 7/2/09

Insert 1:

The (1) alter ego claims; (2) claims against a former lessor of APP; and (3) rights to recover from the California Regional Water Quality Control Board as more fully described in the attached Asset Purchase Agreement.

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is entered into as of January \_\_\_\_, 2009, by and between **PJH BRANDS**, a Nevada corporation ("Buyer") and **DAVID Y. FARMER**, chapter 7 trustee of Advanced Packaging & Products Company ("Seller").

### RECITALS

Seller is the chapter 7 trustee of Advanced Packaging & Products Company ("APP") which filed a voluntary chapter 7 bankruptcy petition on June 18, 2008. APP's bankruptcy case is currently pending in the United States Bankruptcy Court for the Central District of California, Northern Division (the "Bankruptcy Court"), as Case No. ND 08-11392 (the "Bankruptcy Case").

For the price and on the terms and subject to the conditions set forth in this Agreement, and subject to the approval of the Bankruptcy Court (as defined below) in the Bankruptcy Case, Buyer desires to acquire from Seller, and Seller desires to sell to Buyer, the assets of Seller as defined below.

### AGREEMENT

In consideration of the mutual agreements, representations, warranties and covenants set forth below, Buyer and Seller agree as follows:

1. **Sale of Assets.** In consideration of the receipt by Seller of the Purchase Price, and subject to the terms and conditions of this Agreement, including receipt of approval of this transaction by the Bankruptcy Court, Seller shall sell, assign, grant, transfer, and deliver (or cause to be sold, assigned, granted, transferred and delivered) to Buyer (or one or more other Persons designated by Buyer) and Buyer (or such other Person or Persons designated by Buyer) shall purchase from Seller as of the Closing Date, free and clear of all liens the following assets (collectively the "Purchased Assets"):

(a) All of the generalized alter ego claims against PJH Brands which belong to the APP bankruptcy estate, including but not limited to the generalized alter ego claims from the two lawsuits filed by Ginger Root against PJH Brands identified as follows: MC2 ENGINEERING AND CONSULTING SERVICES INC. V. ADVANCED PACKAGING AND PRODUCTS CO.; GINGER ROOT OFFICE ASSOCIATES, LLC; et al., and cross-actions; CASE NO. YC052715 Related to Case No: YC053248 pending in the Los Angeles Superior Court, Southwest Division before Judge Andrew Kaufman; and GINGER ROOT OFFICE ASSOCIATES LLC V. ADVANCED PACKAGING AND PRODUCTS CO., et al; CASE NO. CV07-05568 MMM(JTLx), pending in the United States District Court Central District of California before Judge Margaret Morrow (the "Alter Ego Claims");

(b) The rights of APP to recover from Ginger Root Office Associates, LLC PJH Brands' property (as defined in UCC-1 filings which granted a security interest to PJH Brands in the APP property, including but not limited to all equipment, shelving, production line

machinery, tanks, forklifts, office equipment and the underground remediation machine leased by APP from HFT Leasing) which became property of PJH Brands prior to 1/9/06 and was located at the Maple Property during APP's lease of the Maple Property from Ginger Root, or to be compensated for missing PJH Brands' property which was located at the Maple Property during APP's lease of the Maple Property from Ginger Root; and

(c) The rights of APP to reimbursement from the Regional Water Quality Control Board ("RWQCB") for remediation expenditures incurred by APP and the subject of pending claims with the RWQCB.

2. **Purchase Price.** As consideration for the Purchased Assets, Buyer agrees to pay to Seller, in immediately available funds to an account designated in writing by Seller, the sum of \$106,719.45 (the "Purchase Price"). The Purchase Price shall be payable as follows: (a) \$26,719.45 paid by Buyer to Seller immediately upon the execution of this Agreement by Buyer (the "Deposit"); (b) \$80,000 immediately upon the entry of a final Sale Order (defined in Para. 6.4) by the Bankruptcy Court authorizing the sale of all of the Purchased Assets to Buyer. Buyer shall only be entitled to a refund of the Deposit if the Bankruptcy Court enters a Sale Order authorizing the sale of the Purchased Assets to an Overbidder as defined in Para. 6.2. Buyer shall not be entitled to a refund of the Deposit for any other reason.

3. **Waiver of Buyer's Lien.** Buyer contends that it has a properly perfected valid security interest in the Purchased Assets and the proceeds of the sale of the Purchased Assets (the "Buyer's Lien"). Buyer waives the Buyer's Lien as to all monies received by Seller under this Agreement, including but not limited to the Deposit, the Purchase Price, and any monies received from an Overbidder as defined in Para. 6.2. This waiver shall be effective upon the signing of this Agreement.

4. **Representations and Warranties of Seller.**

4.1 **Execution and Binding Effect.** Subject to the applicable provisions of bankruptcy law, this Agreement has been duly and validly executed and delivered by Seller and constitutes, and the other agreements and instruments to be executed and delivered by Seller pursuant hereto, upon their execution and delivery by Seller, will constitute (assuming, in each case, the due and valid authorization, execution and delivery thereof by Buyer), legal, valid and binding agreements of Seller, enforceable against Seller in accordance with their respective terms subject to the approval of the Bankruptcy Court.

4.2 **Sufficiency of and Title to Assets.** The Purchased Assets are listed as assets belonging to APP on the Schedules and amendments thereto filed by APP in the Bankruptcy Case. Seller makes no representation or warranty regarding the title, equitable ownership or condition of any of the Purchased Assets, or whether, upon consummation of the transactions contemplated by this Agreement, Buyer will acquire good and marketable title to the Purchased Assets.

5. **Representations and Warranties of Buyer.** Buyer represents and warrants to Seller as follows:

5.1 **Organization.** Buyer is a corporation duly formed and validly existing under the laws of its state of organization and has full corporate power and authority and the legal right to execute and deliver this Agreement and all of the other agreements and instruments to be executed and delivered by Buyer pursuant hereto, and to consummate the transactions contemplated hereby and thereby.

5.2 **Authority.** The execution and delivery of this Agreement (and all other agreements and instruments contemplated hereunder) by Buyer, the performance by Buyer of its obligations hereunder and thereunder, and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary action by the Board of Directors of Buyer, and no other act or proceeding on the part of Buyer or its shareholders is necessary to approve the execution and delivery of this Agreement and such other agreements and instruments, the performance by Buyer of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby. The signatory officers of Buyer have the power and authority to execute and deliver this Agreement and all of the other agreements and instruments to be executed and delivered by Buyer pursuant hereto, to consummate the transactions hereby and thereby contemplated and to take all other actions required to be taken by Buyer pursuant to the provisions hereof and thereof.

5.3 **Execution and Binding Effect.** This Agreement has been duly and validly executed and delivered by Buyer and constitutes, and the other agreements and instruments to be executed and delivered by Buyer pursuant hereto, upon their execution and delivery by Buyer, will constitute (assuming, in each case, the due and valid authorization, execution and delivery thereof by Seller), legal, valid and binding agreements of Buyer, enforceable against Buyer in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, or other laws affecting the enforcement of creditors' rights generally or provisions limiting competition, and by equitable principles.

5.4 **Due Diligence Materials.** The materials provided by Buyer to Seller prior to Seller's acceptance of Buyer's offer to purchase the Purchased Assets (collectively, the "Due Diligence Materials") are true and correct copies of the business records of PJH Brands, APP or of third parties.

6. **Covenants.**

6.1 **Access to and Furnishing of Information.** Seller may deliver to any Overbidders (as defined below in Para. 6.2) copies the due Diligence Materials to assist Overbidders in deciding whether to submit overbids for the Purchased Assets.

6.2 **Other Bids.** Seller may initiate, solicit or encourage (including by way of furnishing information regarding the Purchased Assets) any inquiries, or make any statements to third parties which may reasonably be expected to lead to any proposal concerning the sale of the Purchased Assets from third parties ("Overbidders").

6.3 **The Adversary Proceeding.** Within ten (10) business days after the later of (a) the execution of this Agreement, (b) the receipt by Seller of a stipulation executed by Seller and the California State Board of Equalization ("SBE") limiting SBE's tax lien against the Deposit to the sum of \$5,000, and (c) the receipt by Seller of the fully executed waiver by HFT Leasing waiving any lien HFT Leasing may have against all monies received by Seller under this Agreement, including but not limited to the Deposit, the Purchase Price, and any monies received from an Overbidder as defined in Para. 6.2, Seller shall file an adversary proceeding (the "Adversary Proceeding") in the Bankruptcy Court seeking a determination that the Alter Ego Claims are assets of APP's bankruptcy estate in the Bankruptcy Case within the meaning of 11 U.S.C. §541. Thereafter, Seller will litigate the Adversary Proceeding to a final judgment unless the Adversary Proceeding is settled or Seller is barred from continuing to litigate the Adversary Proceeding by any applicable legal doctrine, including but not limited to, mootness, issue preclusion or claim preclusion.

6.4 **The Sale Motion and Hearing.** Within ten (10) business days after the entry of a final judgment in the Adversary Proceeding that the Alter Ego Claims are assets of APP's bankruptcy estate in the Bankruptcy Case within the meaning of 11 U.S.C. §541, Seller shall file a motion with the Bankruptcy Court seeking an order approving the sale (the "Sale Order") of the Purchased Assets to Buyer (the "Motion"). The Motion shall request the Bankruptcy Court (i) to set an initial minimum overbid for the Purchased Assets at \$10,000 with subsequent overbids of \$5,000; and (ii) a break-up fee payable to Seller in the amount of Seller's actual expenses incurred in pursuing the purchase of the Purchased Assets. The failure of the Bankruptcy Court to approve the suggested bid procedures or break-up fee shall not excuse Buyer from its obligations under this Agreement. If the Bankruptcy Court in the Adversary Proceeding rules that the Alter Ego Claims are not assets of APP's bankruptcy estate in the Bankruptcy Case within the meaning of 11 U.S.C. §541, then the Motion will seek a Sale Order approving the sale to Buyer of the remaining Purchased Assets.

6.4.1 **No Other Proposal.** Until this Agreement is terminated, Seller shall not, by application or otherwise, submit or prosecute for Bankruptcy Court approval, or support for the submission or prosecution for Bankruptcy Court approval of, any proposal for the sale, lease or other disposition of the Purchased Assets other than pursuant to this Agreement.

7. **Closing.** Subject to the terms and conditions of this Agreement, the Closing shall take place immediately after the Sale Order has become a final order or, at the option of the Buyer, any time after the Sale Order has been entered and all other conditions precedent in Paras. 8 and 9 have been satisfied or waived (the "Closing Date").

7.1 **Actions at the Closing.** At the Closing, the following deliveries shall occur:

7.2 **Bill of Sale; Assignment and Assumption Agreement.** Seller shall deliver to Buyer a general Bill of Sale substantially in the form attached as Exhibit A.

7.3 **Purchase Price Settlement.** Buyer shall pay the Purchase Price to Seller as provided in Para. 2. hereof.

8. **Conditions to Buyer's Obligations.** Except for Buyer's obligation to pay the Deposit upon the execution of this Agreement as provided in Para. 2., the obligations of Buyer under this Agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions, all or any of which may be waived by Buyer in writing, except as otherwise provided by law.

8.1 **Representations and Warranties True; Performance; Certificate.**

(a) The representations and warranties of Seller contained in this Agreement shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made or given again at and as of the Closing Date; and

(b) Seller shall have performed and complied with all of its agreements, covenants and conditions required by this Agreement to be performed or complied with by Seller prior to or on the Closing Date.

8.2 **Bankruptcy Court Approval.** The Sale Order shall have been entered, and the Sale Order shall have become a Final Order.

8.3 **Documents Delivered to Buyer.** The Bill of Sale shall have been executed and delivered to Buyer.

9. **Conditions to Seller's Obligations.** The obligations of Seller under this Agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions, all or any of which may be waived in writing by Seller, except as otherwise provided by law.

9.1 **Representations and Warranties True; Performance.**

(a) The representations and warranties of Buyer contained in this Agreement shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made or given again at and as of the Closing Date; and

(b) Buyer shall have performed and complied with all of its agreements, covenants and conditions required by this Agreement to be performed or complied with by them prior to or on the Closing Date.

9.2 **Bankruptcy Court Approval.** The Sale Order shall have been entered, and the Sale Order shall have become a Final Order.

9.3 **No Proceeding or Litigation.**

9.4 **Purchase Price.** The Seller shall have received payment of the Purchase Price.

10. **Termination.**

10.1 **Termination of Agreement.** This Agreement may be terminated at any time prior to the Closing:

(a) By mutual written consent of Buyer and Seller; or

(b) By Buyer or Seller if any governmental entity shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement.

10.2 **Procedure and Effect of Termination.** In the event of termination of this Agreement by any or all of the parties pursuant to Para. 10.1, written notice shall be given to each other party specifying the provision of Para 10.1, pursuant to which such termination is made and shall become void and there shall be no liability on the part of Buyer or Seller (or their respective officers, directors, partners or affiliates), except as a result of any breach of this Agreement by such party. Notwithstanding the foregoing, Buyer shall not be entitled to a refund of the Deposit provided for in Para. 2.

## 11. **Miscellaneous.**

11.1 **Amendments and Waivers.** Any term of this Agreement may be amended or waived with the mutual written consent of the parties or their respective successors and assigns. Any amendment or waiver effected in accordance with this Para 11. shall be binding upon the parties and their respective successors and assigns.

11.2 **Successors and Assigns.** The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

11.3 **Governing Law; Jurisdiction.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

11.4 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

11.5 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

11.6 **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or forty-eight (48) hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice, and (a) if to Buyer, with a copy to Georgiana G. Rodiger, 272 South Los Robles Ave., Pasadena, CA. 91101 or (b) if to Seller, with a copy to Michaelson, Susi and Michaelson, 7 West Figueroa St, Second Floor, Santa Barbara, CA 93105, attn. Joseph M. Sholder.

11.7 **Expenses.** Each party shall be responsible for paying its own attorneys fees and expenses.

11.8 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

11.9 **Entire Agreement.** This Agreement and the schedules hereto are the product of both of the parties hereto, and constitute the entire agreement between such parties pertaining to the subject matter hereof, and merge all prior negotiations and drafts of the parties with regard to the transactions contemplated herein and therein. Any and all other written or oral agreements existing between the parties hereto regarding such transactions are expressly canceled.

11.10 **Advice of Legal Counsel.** Each party acknowledges and represents that, in executing this Agreement, it has had the opportunity to seek advice as to its legal rights from legal counsel and that the person signing on its behalf has read and understood all of the terms and provisions of this Agreement. This Agreement shall not be construed against any party by reason of the drafting or preparation thereof.

[Signature pages follow]

This Agreement has been duly executed and delivered by the duly authorized officers of Seller and Buyer as of the date first above written.

**PJH BRANDS**

By: 

Name: PO HARVEY

Title: GENERAL MANAGER

**DAVID Y. FARMER**

\_\_\_\_\_  
Chapter 7 Trustee

This Agreement has been duly executed and delivered by the duly authorized officers of Seller and Buyer as of the date first above written.

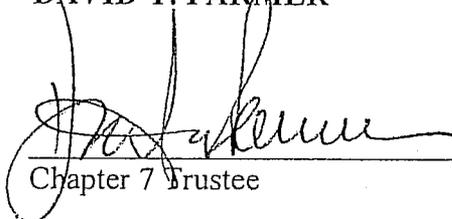
**PJH BRANDS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**DAVID Y. FARMER**

  
\_\_\_\_\_  
Chapter 7 Trustee