



Exposé par Maître POLIER, Avocat à la Cour

Heads of Agreement

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Parties

Mr. George Smith and Ms. Gale Smith-Brown ("Selling Shareholders") and

EMBALLAGES FRANCE SA, a French corporation ("EMBALLAGES FRANCE").

Current Stockholding Arrangement

Mr. George Smith and Ms. Gale Smith-Brown and EMBALLAGES FRANCE respectively own 45%, 5% and 50% of the issued and outstanding stock of American Packaging, Inc., a NJ corporation ("AMERICAN PACKAGING").

Creation of New Operating Company

By May 2006, EMBALLAGES FRANCE will cause to be organized a new N.J. company ("NEWCO") to conduct the distribution business, once the present 10 year Distribution Agreement with AMERICAN PACKAGING ends or is terminated in 2006.

Stock Purchase and Sale Agreement

EMBALLAGES FRANCE and the Selling Shareholders will execute a "Stock Purchase and Sale Agreement" as soon as the terms are agreed. In such Agreement, EMBALLAGES FRANCE, *inter alia*, will agree to purchase from the Selling Shareholders' 100% of their shares in AMERICAN PACKAGING (the "AMERICAN PACKAGING Shares") on the "Closing Date".

Closing Date

The Closing date shall be June 30, 2007, or such other date as EMBALLAGES FRANCE (or NEWCO) may select upon not less than 30 days prior written notice, provided that the closing date may not be later than November 30, 2007.

EMBALLAGES FRANCE Assignment to NEWCO of its rights

Prior to the Closing, EMBALLAGES FRANCE will assign to NEWCO its rights to purchase the AMERICAN PACKAGING Shares.

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45	Officers of NEWCO	George Smith	Chairman of the Board of Directors ¹
46			
47		Laurent Dupond	President
48		Rodger Rabbit	Executive Vice President
49		Michel Dupont	Secretary and Treasurer
50		Madeline Cicalese	Assistant Secretary
51			
52	Directors of NEWCO	George Smith ¹	
53		Laurent Dupond	
54		Michel Dupont	
55			
56			

Certain Events to Occur on the Closing Date:

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59	Stock Purchase	NEWCO to purchase from Selling Shareholders the "AMERICAN PACKAGING Shares") for \$ 900,000 (\$1 million, less \$ 100,000 in "Net Adjustments").	
60			
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63			
64	Net Adjustments	[Issues to be discussed by Mr. Nacmias]	
65			
66	Disbursement of \$ 900,000	\$ 600,000 wired pro rata to Mr. George Smith and Ms. Gale Smith-Brown's bank account	
67			
68			
69		\$ 300,000 wired to a single escrow account of Mr. George Smith and Ms. Gale Smith-Brown's legal counsel.	
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73	Escrow Agreement (<i>Séquestre</i>)	EMBALLAGES FRANCE (or NEWCO) and Mr. George Smith and Ms. Gale Smith-Brown execute an "Escrow Agreement" whereby the \$ 300,000 is held in escrow for four (4) years from the Closing Date to indemnify NEWCO, if any of the representations and warranties of Mr. George Smith and Ms. Gale Smith-Brown (see below) are inaccurate. Right to assert claims ends at the end of such four year period.	
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83		EMBALLAGES FRANCE (or NEWCO) cannot invoke the escrow claims unless it believes in	
84			

¹ George Smith to serve as Board of Directors and as a Director at the pleasure of EMBALLAGES FRANCE (the sole shareholder).

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85		good faith that the aggregate amounts exceed \$
86		50,000.
87		
88		Unwind of Escrowed Amount by mutual
89		agreement, <u>or</u> pursuant to AAA award <u>or</u> when it
90		expires by its terms.
91	George Smith Personnel	
92	Guarantee Agreement	In the event that the escrow shall prove to be
93		insufficient, Mr. George Smith give a limited
94		personnel guarantee of an additional \$ 200,000.
95		
96	G S-B Employment Agreement	NEWCO and Ms. Gale Smith-Brown execute an
97		Employment Agreement (the "G S-B
98		Employment Agreement") whereby
99		_____. ²
100		
101	Termination of the May 11, 1995	
102	Shareholder Agreement	EMBALLAGES FRANCE and Mr. George Smith
103		and Ms. Gale Smith-Brown execute an
104		agreement terminating the May 11, 1995
105		Shareholder Agreement.
106		
107	Termination of the April 28, 1995	
108	Exclusive Distribution Agreement	The April 28, 1996 Exclusive Distribution
109		Agreement is terminated.
110		
111	George Smith Independent	
112	Consulting Agreement	Commencing on the Closing Date, George Smith
113		executes with AMERICAN PACKAGING an
114		Independent Consulting Agreement / Non-
115		Compete Agreement whereby for five (5) years
116		from the Closing Date he agrees to provide
117		agreed services. ² Total Compensation
118		\$ 300,000.
119		
120	"Smith Group" non compete	STEEL CONTAINERS, INC. and the other
121		companies which are under the control of the
122		Smith family and the controlling officers and
123		shareholders thereof (the "Smith Group") shall
124		execute with AMERICAN PACKAGING a three
125		(3) year non-compete agreements with respect to

² Such agreement to be freely assignable by EMBALLAGES FRANCE to NEWCO.

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126 all products distributed by AMERICAN
 127 PACKAGING.²
 128
 129 Consideration The aggregate amount to be paid under the non-
 130 compete agreement shall be \$ 150,000.
 131
 132 AMERICAN PACKAGING/
 133 STEEL CONTAINERS
 134 Shared Support Agreement STEEL CONTAINERS, INC. (“STEEL
 135 CONTAINERS”) shall execute with AMERICAN
 136 PACKAGING a Shared Support Agreement to
 137 continue at the same fee level the computer
 138 systems, accounts payable, etc. services, using
 139 the facilities located on the premises of STEEL
 140 CONTAINERS with lines into AMERICAN
 141 PACKAGING.²
 142
 143 STEEL CONTAINERS can terminate
 144 arrangement with 6 months prior notice.
 145
 146 AMERICAN PACKAGING and NEWCO can
 147 terminate arrangement with 3 months prior
 148 notice.
 149 AMERICAN PACKAGING/
 150 STEEL CONTAINERS
 151 Agency Agreement STEEL CONTAINERS shall execute with
 152 AMERICAN PACKAGING an Agency Agreement
 153 whereby Mr. Robert Smith will jointly market the
 154 customers identified in Schedule __ upon terms
 155 and conditions to be defined by _____ 2006.
 156
 157 Liz Upstreet Support Ms. Liz Upstreet is on AMERICAN
 158 PACKAGING’s payroll, STEEL CONTAINERS
 159 shall execute with AMERICAN PACKAGING and
 160 NEWCO a “Shared Liz Upstreet Support
 161 Agreement” to continue sharing her services.³
 162
 163 STEEL CONTAINERS can terminate
 164 arrangement with 3 months prior notice. STEEL
 165 CONTAINERS may not employ Ms. Upstreet

³ Such agreement to be freely assignable by AMERICAN PACKAGING to NEWCO.

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166		during the term of the Shared Liz Upstreet
167		Support Agreement
168		
169		AMERICAN PACKAGING and NEWCO can
170		terminate arrangement with 6 months prior
171		notice.
172		
173	Insurance Arrangement	Issue needs to be addressed.
174		
175	Resignation of George Smith	On the Closing Date, resignation from AMERICAN
176		PACKAGING offices held. Salary shall also cease.
177		
178	Officers of AMERICAN PACKAGING	George Smith Chairman of the Board of
179		Directors ⁴
180		Laurent Dupond President
181		Rodger Rabbit Executive Vice President
182		Michel Dupont Secretary and Treasurer
183		Madeline Cicalese Assistant Secretary
184		
185	Directors of AMERICAN PACKAGING	George Smith ⁴
186		Laurent Dupond
187		Michel Dupont
188		
189		<u>Certain other events to occur at the same time as the Closing:</u>
190		
191	AMERICAN PACKAGING lease of	
192	offices and warehouse	NEWCO and AMERICAN PACKAGING to
193		execute an agreement whereby NEWCO will
194		lease from AMERICAN PACKAGING offices and
195		warehouse at fair market value. Occupancy to
196		commence upon the Closing Date.
197		
198	New Distributor Agreement	EMBALLAGES FRANCE and NEWCO to Execute
199		a new, non-exclusive Distribution Agreement to
200		become effective on the Closing Date.

⁴ George Smith to serve as a Director at the pleasure of EMBALLAGES FRANCE (the sole shareholder) and as Chairman as the Board of Directors at the pleasure of the Board of Directors of NEWCO.

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Certain Other Terms and Conditions

Representations of Mr. George Smith and Ms. Gale Smith-Brown	<u>Schedules 1</u>
Representations of EMBALLAGES FRANCE	<u>Schedule 2</u>
Conditions EMBALLAGES FRANCE duty to close	<u>Schedule 3</u>
Conditions of Mr. George Smith and Ms. Gale Smith-Brown duty to close	<u>Schedule 4</u>
Other terms and conditions	Standard
Choice of Law	Laws of the State of New York. [They will probably insist on the laws of the State of New Jersey and as a practical matter there is little substantive difference.]
Choice of Dispute Resolution	American Arbitration Association in New York, New York.

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Schedule 1.

ARTICLE I - REPRESENTATIONS AND WARRANTIES OF MR. GEORGE SMITH AND MS. GALE SMITH-BROWN TO EMBALLAGES FRANCE

- 1.01 Organization
- 1.02 Effect of Transactions
- 1.03 Accuracy of financial statements
- 1.04 No Undisclosed Liabilities
- 1.05 No Adverse Change
- 1.06 Tangible Personal Property; Title and Liens
- 1.07 Receivables
- 1.08 Licenses, et cetera
- 1.09 Contracts and Other Instruments
- 1.10 Identification of shared personnel, equipment, services and service providers
- 1.11 Signature authorizations on bank accounts
- 1.12 Equipment and Accessories
- 1.13 Employees
- 1.14 Compliance with Laws

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247	1.15	Litigation
248	1.16	Taxes
249	1.17	Insurance
250	1.18	Ownership of Necessary Assets and Rights
251	1.19	Intangible Assets
252	1.20	Full Disclosure
253	1.21	Environmental Matters
254	1.22	Pension and retirement plans and compliance
255	1.23	Legality of the warehouse facility as used at present, no violations, etc.
256		
257		<u>Schedule 2.</u>
258		
259		ARTICLE II - REPRESENTATIONS AND WARRANTIES OF EMBALLAGES FRANCE TO MR.
260		GEORGE SMITH AND MS. GALE SMITH-BROWN
261		
262	2.01	Organization of EMBALLAGES FRANCE and NEWCO
263	2.02	Authority to EMBALLAGES FRANCE and NEWCO
264		To effect the transaction.
265		
266		<u>Schedule 3</u>
267		
268		ARTICLE III - CONDITIONS TO EMBALLAGES FRANCE'S OBLIGATIONS TO CLOSE
269		
270	3.01	Accuracy of Representations and Warranties
271	3.02	Side agreements (employment contracts, distribution agreement, consulting
272		agreement and non-compete agreements) duly executed and delivered
273	3.03	Consents or Waivers to Threatened or Pending Proceedings
274	3.04	Opinion of Counsel to Mr. George Smith and Ms. Gale Smith-Brown
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276		<u>Schedule 4</u>
277		
278		ARTICLE VI - CONDITIONS TO MR. GEORGE SMITH'S AND MS. GALE SMITH-BROWN'S
279		OBLIGATION TO CLOSE
280		
281	4.01	Accuracy of Representations and Warranties
282	4.02	Side agreements duly executed
283	4.03	Consents or Waivers to Threatened or Pending Proceedings
284	4.04	Opinion of Counsel to EMBALLAGES FRANCE and NEWCO
285		

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