

SETTLEMENT AGREEMENT

INTRODUCTION

This Settlement Agreement (this "Agreement"), effective this 12th day of September, 2011 ("Effective Date"), is made by and between Hilex Poly Company, LLC ("Hilex") and ChicoEco, Inc., doing business as ChicoBag ("ChicoBag") (collectively the "Parties").

RECITALS

WHEREAS, Hilex is a corporation organized and existing under the laws of the State of Delaware and has a place of business at 101 E. Carolina Ave., Hartsville, South Carolina, 29550-4213;

WHEREAS, ChicoBag is a business entity organized and existing under the laws of the State of California and having a place of business 13434 Browns Valley Drive, Chico, California, 95973;

WHEREAS, ChicoBag has engaged in numerous advertising and promotional campaigns regarding the environmental impact of ChicoBag products and plastic bags sold by Hilex and others;

WHEREAS, Hilex and others brought suit against ChicoBag, alleging violations of the Lanham Act and South Carolina's Unfair Trade Practices Act, in an action captioned Hilex Poly Company, LLC, Superbag Operating, Ltd., and API Enterprises, Inc. v. and ChicoEco, Inc., doing business as ChicoBag, Civil Action No. 3:11-cv-00116-JFA (the "Litigation");

WHEREAS, the Parties hereto desire to avoid litigation and to fully and finally resolve the Litigation;

NOW THEREFORE, in consideration of the above premises, and the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

Section I – Conditions Subsequent

1.1 In consideration for the settlement of the Litigation as provided herein, and as an express condition to the release by Hilex of ChicoBag pursuant to Section 2.1 hereof, ChicoBag's insurance company shall be responsible for all mediator expenses related to the Litigation and to pay Hilex an amount equal to \$██████, payable within thirty (30) days of the Effective Date, in the name of Hilex Poly Company, LLC.

1.2 Within ten (10) days of receipt of funds in the section 1.1 above, Hilex shall file a Dismissal With Prejudice ("Dismissal").

Section II – Mutual Releases

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2.1 Hilex for itself, its affiliates, successors and assigns, hereby voluntarily and knowingly, forever and fully, finally and completely releases, remises, acquits and discharges ChicoBag and any affiliate, shareholder, director, officer, partner, agent, accountant, attorney, consultant, employee, representative, personal representative, executor, administrator, legatee, heir, devisee, successor or assign of any of the foregoing, from any and all claims, counterclaims, cross-claims, charges, demands, sums of money, actions, causes of action, obligations, judgments and liabilities of any kind or nature whatsoever, at law or in equity, known or unknown, sounding in contract, tort or otherwise, arising from statute or common law, absolute or contingent, liquidated or unliquidated, arising from or relating to the events and allegations contained in the Litigation and for any and all other causes of action, claims and demands, in law or in equity, that could have been raised as of the Effective Date of this Agreement.

2.2 ChicoBag, for itself, its affiliates, successors and assigns, hereby voluntarily and knowingly, forever and fully, finally and completely releases, remises, acquits and discharges Hilex and any affiliate, shareholder, director, officer, partner, agent, accountant, attorney, consultant, employee, representative, personal representative, executor, administrator, legatee, heir, devisee, successor or assign of any of the foregoing, from any and all claims, counterclaims, cross-claims, charges, demands, sums of money, actions, causes of action, obligations, judgments and liabilities of any kind or nature whatsoever, at law or in equity, known or unknown, sounding in contract, tort or otherwise, arising from statute or common law, absolute or contingent, liquidated or unliquidated, arising from or relating to the events and allegations contained in the Litigation and for any and all other causes of action, claims and demands, in law or in equity, that could have been raised as of the Effective Date of this Agreement.

2.3 Section 1542 of the Civil Code of the State of California, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Parties hereby waive and relinquish every right or benefit which they have or may have under Section 1542 of the Civil Code of the State of California to the full extent that they may lawfully waive such right or benefit with regard to the subject matter of their release. In connection with such waiver and relinquishment, Parties acknowledge that they are aware that they may later discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of their release, but that it is their intention hereby to fully, finally and forever, settle and release all claims, known or unknown, suspected or unsuspected, which now exist, may now exist or previously existed between them and those entities or individuals granted releases. In furtherance of such intention, the releases given here

shall be, and shall remain, in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts.

Section III – Representations and Covenants

3.1 Each Party hereto acknowledges the adequacy and sufficiency of the consideration for this Agreement, including without limitation, the mutual releases and the mutual covenants and promises contained herein, and each Party waives any right to contest the enforcement or validity of this Agreement based on any claim or defense of lack of consideration.

3.2 Each of Hilex and ChicoBag represents and warrants that (a) he or it is fully authorized to enter into this Agreement and to consummate the transactions contemplated hereby and thereby, and no further corporate action or authority is otherwise needed to execute or consummate any of the transactions contemplated thereby; (b) this Agreement constitutes or will constitute, when executed and delivered, the legal, valid and binding obligations of ChicoBag, enforceable against it in accordance with the respective terms and conditions; (c) neither Hilex nor ChicoBag is required to give any notice to, make any filing with or obtain any authorization, consent or approval of any person or any governmental agency, court or other public entity in respect of entering into this Agreement or consummating any of the transactions contemplated hereby; and (d) the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not and will not violate any provision of any agreement or conflict with any other restrictions of any kind or character to which any of Hilex or ChicoBag is bound.

3.3 With respect to the releases provided in Section II, the Parties each respectively warrant and represent for the benefit of the released persons that:

3.3.1 They have not heretofore assigned or transferred to any person any of the claims herein released and agrees to indemnify, defend, and hold harmless the released persons from any claim asserted by any person based upon any such actual or purported assignment or transfer;

3.3.2 No other person has any lien, claim or interest in any such claims;

3.3.3 They shall not following the execution of this Agreement, assign, subrogate or transfer to any person any of the claims herein released;

3.3.4 They will not commence or prosecute, induce any other person to commence or prosecute any claim covered by the foregoing release against any of the released persons; and

3.3.5 They are fully authorized to enter into and be bound by the terms of this Agreement and that it is the legal and equitable owner and holder of all claims which are being released by this Agreement.

3.4 The person signing this Agreement on a party's behalf has the authority to do so and to make the promises and releases contained herein and to enter into the agreements set forth herein on behalf of the party indicated.

Section IV – Conduct Agreements

4.1 Both Parties agree that as of the Effective Date of this Agreement:

4.1.1 In referencing recycling rates, both parties will reference and properly cite the EPA's annual report *Municipal Solid Waste in the United States, Facts and Figures* for HDPE, LDPE/LLDPE bags, sacks and wraps for category recycling rates.

4.1.2 Both Parties will provide citations and dates for all facts and statistics on any web page or advertising, excluding labels and hangtags.

4.1.3 Neither Party will publish any "minimum usage" statement regarding environmental benefits claims without citing to a study that is specific to the products compared.

4.2 ChicoBag has proactively made various changes to its website and hereby agrees and covenants that it will conduct itself in the following ways in any future communications or advertising, including communications or advertising currently in place that will continue to be disseminated after the Effective Date of this Agreement:

4.2.1 ChicoBag will not cite to any archived EPA websites.

4.2.2 ChicoBag and Andy Keller will stop any countdown list for dismissing the Litigation, as well as remove any current countdown lists.

4.2.3 ChicoBag will link to the full NOAA report if utilized in advertising.

4.2.4 ChicoBag will inform consumers on its website that reusable bags should be washed when dirty.

4.2.5 ChicoBag will clarify and feature prominently in its Learn the Facts about Single Use Plastic and Paper Bags webpage that plastic retail carryout bags are only a subset of "plastic bags" in ocean debris reports and will add the phrase "marine debris" to the meta data tags.

4.3 Hilex agrees that to the extent permitted by customers and in the normal rotation of plate replacement, it will include a statement on its products: "Tie Bag in Knot Before Disposal." Hilex will also include statements on a website that discuss ways to prevent windblown litter.

Section V - Miscellaneous

5.1 The Parties to this Agreement shall bear their own costs and attorneys' fees incurred in connection with the preparation, execution and effectuation of this Agreement and the other documents and instruments contemplated hereby, including, without limitation, the cost of preparing and executing this Agreement.

5.2 This Agreement may be executed in counterparts, and each such counterpart shall be deemed an original hereof. Accordingly, this Agreement shall become binding, notwithstanding the execution of separate originals, one by each of the parties hereto. Signatures hereto exchanged by facsimile shall be binding for all purposes.

5.3 The Parties agree that each and every provision of this Agreement shall be deemed to have been simultaneously drafted by all Parties, and no laws or rules relating to the interpretation of contracts against the drafter of any particular clause should be applied to the interpretation or enforcement of this Agreement.

5.4 This Agreement (together with the other documents and instruments executed pursuant to Section I hereof) sets forth the entire agreement and understanding between the Parties as to the subject matter hereof and supersedes all prior and contemporaneous communications between them, both written and oral, specifically related to such subject matter. Except for statements expressly set forth in this Agreement, no Party has made any statement or representation to any other Party regarding a fact relied upon by the other Party in entering into this Agreement, and no Party has relied upon any statement, representation, or promise of any other Party, or of any representative or attorney for any other Party, in executing this Agreement or in making the settlement provided for in this Agreement. Neither of the Parties shall be bound by any agreements, undertakings, warranties, understandings, or representations with respect to the subject matter of this Agreement other than as expressly provided herein or as modified in writing, signed in advance by the Party to be bound thereby.

5.5 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective past, present and future heirs, executors, administrators, trustees, beneficiaries, predecessors, successors, members, permitted assigns, partners, partnerships, affiliates, officers, directors, principals, agents, servants, employees, representatives, and all persons, firms, associations and/or corporations connected with them.

5.6 No breach of any provision hereof can be waived unless in writing. Waiver of any one breach of any provisions hereof shall not be deemed to be a waiver of any other breach of the same or other provisions hereof. This Agreement may be amended only in a signed writing by the parties-in-interest at the time of the modification. If any provision of this Agreement is held to be invalid or unenforceable for any reason, the remaining provisions will continue in full force without being impaired or invalidated in any way. The Parties agree to replace any invalid provision with a valid provision that most closely approximates the intent and economic effect of the invalid provision.

5.7 Paragraph titles or captions contained herein are inserted as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or any provision thereof.

5.8 The Parties agree and acknowledge that this Agreement is the result of a compromise of doubtful and disputed claims and is being entered into only for the purpose of avoiding the burdens, inconveniences, and expenses of litigation. Neither party admits to any violation or law statute or regulation by entering into this Agreement.

5.9 This Agreement shall be governed by the laws of the State of South Carolina, without regard to principles of choice of laws thereof.

5.10 Each Party to this Agreement has been represented by counsel in preparing and negotiating this Agreement.

5.11 Each Party agrees that this Agreement shall be binding and that each Party waives, to the fullest extent permissible under law, any right to seek to rescind this Agreement for any reason.

5.12 Each Party covenants that, at any time, and from time to time, after the date first above-written, it will execute such additional instruments, writings or other documents and take such other action as may be reasonably requested by one or more of the other Parties to confirm, perfect or otherwise carry out the intent and purposes of this Agreement.

5.13 This Agreement may not be assigned, conveyed or otherwise transferred by any Party without the express written consent of the non-assigning Party.

5.14 Except as needed to effectuate this Agreement, the Parties agree not to disclose to any person or entity the amount of this settlement from section 1.1. The Parties, may, however, discuss this Agreement on any basis other than the amounts paid under section 1.1. Notwithstanding the foregoing, the Parties may disclose the matters subject to this confidentiality provision if compelled by court order, subpoena, or other legal requirement, including the use of this Agreement as evidence in a proceeding to enforce any or all of the terms hereof. Further, notwithstanding the foregoing, the Parties may, subject to this confidentiality provision, discuss the matters herein with and/or provide this Agreement to their attorneys, accountants, financial advisors, tax preparers, and other persons who are subject to an independent duty to maintain the confidentiality of such information.

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this Agreement as of the dates indicated below.

Hilex Poly Company, LLC

By: Mark T. Daniels

Name: MARK T. DANIELS

Its: UP SUSTAINABILITY & ENVIRONMENTAL POLICY

Date: 9/12/11

Witness: [Signature]

ChicoEco, Inc., doing business as ChicoBag

By: 

Name: Andrew Keller

Its: President

Date: 9-12-11

Witness: 