

Austin Legal Group, APC
LAWYERS
3990 OLD TOWN AVE, STE A-112
SAN DIEGO, CA 92110
LICENSED IN CALIFORNIA & HAWAII

TELEPHONE
(619) 924-9600

FACSIMILE
(619) 881-0045

Writer's Email:
admin@austinlegalgroup.com

January 13, 2014

Cereplast, Inc.
c/o Frederic Sheer
2213 Killion Avenue
Seymour, IN 47274

Attorney-Client Privileged Information

Re: Fee Agreement For Legal Services

Dear Frederic:

I am pleased that Cereplast, Inc. ("You") have engaged Austin Legal Group ("ALG") to assist you in filing a Chapter 11 Bankruptcy.

Section 6148 of the California Business and Professions Code requires California lawyers to have written engagement agreements with their clients principally for the purpose of informing a client about billing practices and methods of handling client matters. In addition, I have found that a written agreement reduces confusion, clarifies the arrangement and proves mutually beneficial to both parties.

The standard terms of our fee agreement (the "Agreement") are set forth as follows:

1. **CONDITIONS:** ALG shall have no obligation to provide legal services to You, until You return a signed copy of this Agreement and pay the deposit, if any, required below. However, any legal services provided You at your request prior to the execution and return of this Agreement to ALG shall be covered by this Agreement.

2. **SCOPE OF SERVICES:** You are hiring ALG to assist you in Chapter 11 Bankruptcy Matter(s). Representation is limited and encompasses only the following:

- a. Analysis of the debtor's financial situation, and rendering advice to the debtor in determining whether to file a petition in bankruptcy.
- b. Preparation and filing of any petition, schedules of affairs and plan which may be required.

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- c. Representation of the debtor at the meeting of creditors and confirmation hearing, and any adjourned hearings thereof.
- d. Representation of the debtor in adversary proceedings and other contested bankruptcy matters.

3. RESPONSIBILITIES OF THE PARTIES: ALG will provide those legal services reasonably required to render legal services described in Paragraph 2 and will take reasonable steps to keep You informed of progress and developments, and to respond promptly to inquiries and communications. You agree to be truthful with ALG, to cooperate, to keep ALG informed of any information and developments which may come to your attention, to abide by this Agreement, to pay ALG's bills for costs on time, and to keep ALG advised of your address, telephone number and whereabouts. You agree to appear at all legal proceedings, and generally to cooperate fully with ALG in all matters related to the preparation and presentation of your claims.

You acknowledge Your obligation to make full and complete disclosure of all assets and all liabilities, and to provide all documents and information requested by ALG, before the bankruptcy petition can be prepared and filed with the court.

You acknowledge that You must attend pre-petition credit counseling before the bankruptcy petition can be filed. You understand that You must also attend post-petition counseling after the bankruptcy petition is filed and within the timeframe allowed by statute. **For individual (or non-corporate filers) You acknowledge that the bankruptcy cannot be filed without the certificate of completion of the pre-bankruptcy credit counseling. You understand that no discharge of debts will be issued if the post-bankruptcy credit counseling is not completed within the statutory timeframe.**

You acknowledge that ALG will not research creditor information, including addresses, account numbers, or balances. You must provide this information to ALG in writing. Failure to do so may result in unscheduled debts subject to non-dischargeability.

ALG is not being retained to represent any party other than You. You understand that no particular result is or can be guaranteed or promised by ALG in rendering legal services requested by You for any particular matter. ALG undertakes to render legal services requested by You and accepted by ALG. Unless ALG notifies You in writing, all legal services requested by You shall be governed by this Agreement. It is understood that You are not relying on ALG for business, investment, or accounting decisions.

You acknowledge that ALG currently represents You in other non-bankruptcy related matters. However, upon commencement of the Chapter 11 case, ALG, must seek court approval to continue to represent You in any capacity other than this Chapter 11 bankruptcy. ALG may make a special appearance in a court, other than the Bankruptcy Court, for the purpose of filing a notification of Your bankruptcy proceedings, and to suggest another court Your proceedings should be stayed. Sending or receiving any summons or complaint, or notifying ALG of a

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pending lawsuit does not obligate ALG to represent You in that lawsuit or before that court. Any representation of You in a state court proceeding, including without limitation: collection lawsuits, foreclosure lawsuits, etc. is not included in this Bankruptcy Engagement Letter. Any referral made to another attorney to represent You is a courtesy only. ALG is not associated with any other attorney outside of ALG.

Communications between You and ALG may be in person, via telephone, including via mobile phone, via facsimile, via mail, or via e-mail, and You hereby authorize communication by all such means.

4. BANKRUPTCY FEE AGREEMENT:

Our fee arrangement is as follows: We will be compensated for pre-petition legal services rendered on a flat fee basis. You agree to pay a flat fee of \$35,000 plus any filing fees to process your bankruptcy (there is a \$1,213.00 initial filing fee required by the Bankruptcy Court).

At the time Your bankruptcy petition is filed, ALG, on Your behalf, will file an application with the Bankruptcy Court seeking authority to be engaged as counsel for You as Debtor and Debtor-In-Possession under title 11 of the United States Code. In that application, ALG will ask the Bankruptcy Court to establish the following payment procedure for the payment of ALG's fees and expenses during the bankruptcy proceedings:

Before commencement of the Chapter 11 Bankruptcy Proceeding, ALG requires a retainer in the sum of \$10,000 (hereinafter referred to as the "Retainer"). ALG will bill You for professional services at our standard hourly billing rate in effect at the time services are rendered. Unless this Agreement states otherwise, ALG's fees will be determined by multiplying the number of hours devoted to each task by the hourly billing rate of the person performing the task. This includes all tasks including investigation, review, research, analysis, strategy, document preparation, printed and electronic correspondence, meetings, telephone conferences, court appearances, and travel. The minimum billing entry for any task is one-tenth of an hour. The billing rates are listed in this Agreement. ALG typically adjusts its billing rates each January 1st, but may do so at other times. If You are the debtor, trustee, or official committee in a chapter 11 bankruptcy case, then ALG's fees during the bankruptcy case will be subject to bankruptcy court approval.

On or before the seventh (7) business day of the month, will provide You with a statement for services and expenses incurred during the previous month. You shall have seven (7) business days to review the monthly statement and give ALG notice of any objection. If ALG does not object to the monthly statement, ALG will file a notice of draw with the Bankruptcy Court. You, upon receipt of a copy of the notice of draw, shall immediately pay a sum equal to eighty percent (80%) of the fees and one hundred percent (100%) of the expenses requested in the statement. If You provide ALG with a notice of objection, ALG and You shall immediately attempt to resolve the objection. If the objection cannot be resolved, You will by wire transfer deposit to ALG's trust account the full amount of the disputed statement to be retained as part of the Retainer.

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My rate, along with Tamara Leetham's rate, on Your matters will be \$350.00 per hour. From time to time, my associates, paralegals, and law clerks will assist me on your matters to help me keep Your legal costs as reasonable as possible. My associates' rates range from \$175.00 to \$225.00 per hour. My paralegal and law clerk rates range from \$75.00 to \$150.00 per hour.

ALG will file monthly or quarterly fee applications with the Bankruptcy Court seeking approval of all fees and expenses incurred by ALG during that month or quarter and authorization to withdraw from ALG's trust account the twenty percent of the fees not previously paid (the "Hold Back") and any disputed monthly statements. Upon the entry of an order of the Bankruptcy Court approving the interim fee application, ALG will withdraw from the Retainer funds in an amount sufficient to pay the Hold Back and disputed payments all approved by the Bankruptcy Court. Should the Retainer be exhausted during the pendency of Your chapter 11 proceeding, any unpaid fees and expenses incurred by ALG shall constitute an administrative expense in the proceeding.

All fees and expenses are subject to approval by the Bankruptcy Court.

In the event the Bankruptcy Court does not enter an order authorizing ALG to be engaged as counsel for You as debtor and debtor-in-possession within 45 days of the commencement of the case, ALG may terminate its representation of You and seek authority from the Bankruptcy Court to withdraw and counsel to You as debtor and debtor-in-possession.

5. ESTIMATES & NEGOTIABILITY OF FEES: ALG cannot determine at the beginning of a matter the full nature and extent of the legal services since they depend upon the actions of other parties or governmental agencies, or upon facts or issues not yet known. Accordingly, any oral or written estimate of the fees and costs for a particular matter or service at the inception of the matter will not bind ALG. You shall pay ALG's fees and costs actually billed to You regardless of any estimate. The rates set forth above are not set by law, but are negotiable between attorney and client.

6. POTENTIAL CONFLICT OF INTEREST: Representation by ALG in a particular matter is contingent upon clearance of all conflicts of interest checks. ALG represents many companies and individuals, and our livelihood depends on our continuing ability to represent clients in numerous legal matters. In order to preserve our ability to represent clients in legal matters that arise in the future, including matters which may be directly adverse to You, by signing this agreement, You agree that ALG may terminate our representation of You, at any time, if our other client refuses to sign a concurrent representation conflict waiver required.

☒ ALG has determined there are currently no actual or potential conflicts of interest.

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- ☐ ALG has determined the existence of an actual or potential conflict of interest. A conflict waiver is attached hereto as Appendix A. The waiver is hereby incorporated by reference to the effective date of this agreement.

7. SCOPE OF SERVICES:

- a. Review and analyze Your financial circumstances based on information provided by You.
- b. If possible and to the extent possible, based on the information provided by You, advise You of Your options, including but not limited to bankruptcy options.
- c. Inform You of what information You need to provide ALG in order to allow ALG to provide appropriate advice and option information, in the event such information You provided is insufficient.
- d. Advise You of the appropriate requirements in connection with the filing of a Chapter 7, Chapter 11, or Chapter 13 bankruptcy including Your duties connected with such filing.
- e. Quote You an estimated fee, to the extent possible given the information provided by You, for ALG's service relative to providing bankruptcy assistance or other legal services to You.
- f. Assuming that a U.S. Bankruptcy proceeding is filed, ALG services will include all typical Attorney required participation in such proceeding, including but not limited to, appearances at Court hearings, preparation of legal memoranda, and communication with opposing counsel and parties.
- g. If Your proceeding require additional, but not customary work, ALG will inform You directly, and enter into a separate written contract for such services to fully apprise You of the fees, payment requirements, and expected services to be provided.

8. SERVICES OUTSIDE THE SCOPE OF THIS AGREEMENT

You agree that the following matters are not included within the scope of this Bankruptcy Engagement Letter. You agree that, as to the matters listed below, ALG will not take any action on Your behalf, without a written request and/or a separate Engagement Letter and possibly an additional retainer:

- a. Motions to revoke a discharge.

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- b. Removal of a pending action in another court.
- c. Obtaining title reports.
- d. The determination of real estate or tax liens.
- e. Appeals to the BAP, District Court or Court of Appeals.
- f. Correcting credit reports.
- g. Negotiations with Check Systems regarding Client.
- h. Motions to Discuss Clients bankruptcy case filed by the Trustee, U.S. Trustee, or any creditor.
- i. Any adversary proceeding filed by the Trustee, U.S. Trustee, or any other party on any basis, including, without limitations, proceedings to determine dischargeability of debts.
- j. Preparing reaffirmation agreements, negotiating the terms of reaffirmation agreements proposed by creditors, motions to redeem personal property, and negotiating reaffirmation agreements when Your income is not sufficient to rebut the presumption of undue hardship and special circumstances do not warrant the signing of a reaffirmation agreement.
- k. Motion to impose or extend the bankruptcy stay.
- l. Negotiations with creditors to modify debt.

9. DEBTS NOT DISCHARGEABLE IN BANKRUPTCY

You understand that certain debts cannot be discharged in bankruptcy. You agree that You are still liable to repay any debt not discharged in Your bankruptcy. You understand that the debts listed below are common examples of the types of debts that cannot be discharged in bankruptcy. You further understand that the list of non-dischargeable debts may be expanded by legislation or court decisions and ALG has no control over the type of debts that may be or become non-dischargeable.

- a. Certain types of taxes, custom duties, or debts to pay taxes or custom duties.
- b. Student loans.
- c. Debts owed for spousal or child support.

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- d. Debts owed to the spouse, former spouse, or child in a domestic relations proceeding.
- e. Debts arising from a previous bankruptcy wherein discharge of that particular debt was waived.
- f. Debts owed for money, property, services, extension-or-removal, or refinancing of credit, if obtained by false pretenses, or false representations, or actual fraud.
- g. Consumer debts for luxury goods obtained within ninety (90) days of the date of filing of the bankruptcy petition.
- h. Cash advances obtained within seventy (70) days of the date of the filing of the bankruptcy petition.
- i. Debts owed for fraud or defalcation while acting in a fiduciary capacity, or embezzlement or larceny.
- j. Debts owed for fines, penalties, or forfeitures payable to and for the benefit of governmental entity.
- k. Debts owed for death or personal injury arising from the operation of a motor vehicle, boat, or aircraft while intoxicated by drugs or alcohol.

10. OTHER BANKRUPTCY CONSIDERATIONS

You understand that filing bankruptcy does not automatically discharge or remove liens from any real estate. You agree that the Attorney will not take any action to avoid (remove) any lien on real estate unless You specifically authorize ALG to do so in writing. You agree that ALG will rely on Your statements concerning ownership of real property and any Liens attached to Your real property. You agree that no real estate title search will be conducted. You agree that ALG will not conduct a public records search for lawsuits filed against You or judgments granted against You. You must separately order and pay for a real estate title search, or public records search for lawsuits or judgments, if You wish to obtain one. You agree to hold ALG harmless if You later discover liens, lawsuits or judgments against You or against Your real estate.

You understand that individuals who file for relief under Chapter 7 or Chapter 13 of the Bankruptcy Code are subject to audits by the U.S. Trustee. If Your case is selected for an audit, You agree to pay ALG the customary hourly rate for representing You in such audit.

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You understand that Attorney may charge additional fees if You wait longer than ninety (90) days from the first date ALG is retained to finalize the bankruptcy petition and schedules due to additional due diligence and other update work required to finalize the bankruptcy.

11. DISCHARGE AND WITHDRAWAL: You may terminate ALG's services at any time, subject to any applicable requirements for withdrawal of counsel imposed by a tribunal. ALG reserves the right to withdraw from the representation for good cause and upon reasonable notice to You. Good cause includes your breach of this contract, your refusal to cooperate with ALG or to follow ALG's advice on a material matter, any other fact or circumstance that would render ALG's continuing representation unlawful or unethical, or for any other reason permitted by the applicable rules of professional conduct.

12. CONCLUSION OF SERVICES: When ALG's services conclude, all unpaid charges will immediately become due and payable. After ALG's services conclude, upon request, your file and property will delivered to You or to your other attorney whether or not You have paid any fees and/or costs owed to ALG. Our record retention policy provides for client files to be kept for two (2) years after the client's matter has been closed. At the conclusion of the retention period, the file will be destroyed unless You request alternate arrangements.

13. INSURANCE: If You have insurance, there may be policy provisions that provide coverage for potential liability and/or attorneys' fees and costs applicable to the legal services to be rendered. It is your responsibility to advise ALG whether any such insurance exists. ALG maintains errors and omissions insurance coverage.

14. ENTIRE AGREEMENT: This Agreement contains the entire agreement of the parties. No other agreement, statement or promise made on or before the effective date of this Agreement will be binding on the parties.

15. SEVERABILITY IN EVENT OF PARTIAL INVALIDITY: If any provision of this Agreement is held in whole or in part to be unenforceable for any reason, the remainder of that provision and of the entire Agreement will be severable and remain in effect.

16. MODIFICATION BY SUBSEQUENT AGREEMENT: This Agreement may be modified by subsequent agreement of the parties only by an instrument in writing signed by both of them or an oral agreement only to the extent that the parties carry it out.

17. COUNTERPART SIGNATURES: This Agreement may be signed by the Parties in multiple counterparts, all of which shall be taken together as a single document. A facsimile or e-mail signature constitutes an original and all evidentiary objections to same other than for authenticity of signature are waived.

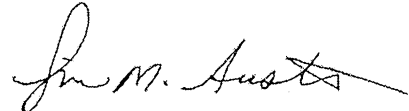
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18. NEGOTIATIONS: Often in bankruptcy proceedings it is impossible to negotiate with creditors to reduce the principle, lower the interest rate, grant forbearances on payments, or otherwise modify the conditions of a debt. You understand that any negotiations are between you and the creditors. ALG will negotiate with lenders and creditors on your behalf at an additional fee. Negotiations for loan or debt modifications are not part of the service rendered when You pay the flat fee as outlined in Section 2 of this agreement.

We look forward to assisting You in this Matter. Please let me know if You have any questions or comments on the fee arrangement described in this letter. Please keep in mind that when filing a bankruptcy, there are many deadlines and documents requirements that are imposed by the Court and the Trustee. We will keep you informed of these dates and requirements. At the same time your cooperation and assistance will be necessary to satisfy the demands of the Court, Trustee and some creditors.

If the foregoing meets with your approval, please date and sign this Agreement where indicated below, and return it to me, I will sign and copy the same for your files.

Very truly yours,

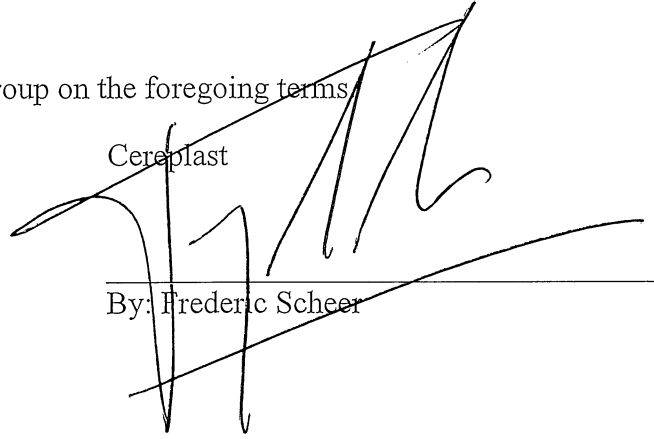


AUSTIN LEGAL GROUP, APC

We/I agree to retain Austin Legal Group on the foregoing terms.

Dated: 1/15/2014

Cereplast



By: Frederic Scheer